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**Globalization and austerity:
Flipping partisan effects on fiscal policy during (recent) international crises**

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Abstract: This paper investigates the effect of government partisanship on fiscal policy outputs during the three international economic crises of 1981-1984, 1990-1994 and 2008-2013. Encompassing 19-23 advanced democracies, the statistical analysis suggests that partisan effects have increased over time and are characterized, in the two last crises, by a “new asymmetry” whereby left governments pursued *more contractionary* fiscal policies than non-left governments over the course of the business cycle. Furthermore, it attributes left governments’ endorsement of austere fiscal policies to the constraining effects of financial markets in the context of high/surging debt. This is supported by qualitative analysis of select government responses to the Global Financial Crisis, shedding new light on the new austerity that started in the early 2010s. The ideological mix with political partisanship during hard times surely is confusing to ordinary citizens. The paper cautiously points to a neglected yet important international economic origin of our political discontents.

Bio-sketch: Damian Raess is an SNSF Assistant Professor at the World Trade Institute, University of Bern. His research interests concern the impact of global economic integration on democratic policy-making, the political economy of globalization, labor provisions in trade agreements, and the politics of economic crisis. He is currently leading a research project titled “BRICS globalization and labor protections in advanced industrial and emerging economies”.

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A consensus appears to have emerged about the uniformity of macroeconomic policy responses and the convergence of fiscal policy reactions by left and right governments to the Global Financial Crisis (GFC) in advanced democracies.¹ Governments reacted with a two-pronged approach (Auerbach et al., 2010; Blyth, 2013; Dellepiane-Avellaneda, 2015; Hall, 2013; Mandelkern, 2016). In their initial response, they resorted to fiscal stimulus to preempt a full-blown economic collapse. Left and non-left governments did not differ regarding the size and composition of the stimulus packages they implemented during the Great Recession (Ansell, 2012; Armingeon, 2012; Raess and Pontusson, 2015; Toloudis, 2015). Starting in late 2009, amidst a fragile recovery and changing rhetoric internationally (G-20, EU Council, European Central Bank), governments progressively switched to fiscal tightening (amidst continued monetary easing). Left and right *party positions* adopted during election campaigns in the aftermath of the GFC in 11 advanced economies converged on the necessity of budgetary rigor (Bremer, 2018). Did left governments *adopt austere fiscal policies* on a similar or even larger scale (and of a similar type) than non-left governments? If so, *why* did left governments embrace austerity?

While these are important questions in and of themselves, they are here examined in the broader context of the partisan politics of fiscal policy responses to international crisis in historical perspective. By focusing on the last three economic crises (1981-1984, 1990-1994, 2008-2013)² and by carefully distinguishing between the recession and recovery phases of the business cycle, this paper addresses the questions of the partisan conduct of fiscal policy along and over the course of the cycle and of changing partisan dynamics over time. This places the paper in the distinguished political economy tradition of crisis response studies (Bermeo and

¹ The variation in macroeconomic policy responses is larger if Central and Eastern European countries are included (Armingeon 2012; Walter 2016).

² At the time of writing, the global crisis of COVID-19 is still unfolding.

Pontusson, 2012; Gourevitch, 1986; Kahler and Lake, 2013; Pontusson and Raess, 2012; Scharpf, 1991; Starke et al., 2013).

Inspired by the “old” literature on the politics of macroeconomic management that posits that left and right parties have systematically different economic priorities (Garrett, 1998; Hibbs, 1977), I focus on two questions regarding cross-sectional partisan effects. First, compared to non-left governments, are left governments more likely to pursue expansionary fiscal policies over the business cycle, presumably because they are more inclined to stimulate aggregate demand and to rely on spending increases during international downturns? Second, do left governments pursue “counter-cyclical” and non-left governments “pro-cyclical” fiscal policies over the course of the cycle, so that left governments are more likely to engage in expansionary fiscal policies during downturns and in contractionary policies during upturns? Furthermore, regarding the temporal comparison, I ask: have “old” partisan effects over fiscal policy during major crises declined over time due to changing political-economic environment, as much of the political economy literature suggests (e.g., Cusack, 1999; Scharpf, 1991)?

Encompassing 19-23 advanced democracies, cross-sectional analysis of recession and early recovery episodes across the three crises calls into question three commonly-held views: a) left governments pursue more expansionary fiscal policies than non-left governments over the cycle; b) partisan effects over fiscal policy are symmetrical along the cycle; c) partisan effects have narrowed (or disappeared) over time. I identify a “new asymmetry” in the partisan effects over fiscal policy in the last two crises. In the early 1990s, left governments were *less* prone to stimulate than non-left governments during the downturn, but they were no less (or more) prone to consolidate during the upswing. In the wake of the GFC, left governments were no more inclined than non-left governments to stimulate or increase spending during the downturn while they were *more* inclined to engage in fiscal consolidation during the recovery. We thus have the counterintuitive finding that left governments pursued *more* restrictive

policies than non-left governments over the course of the business cycle in the past two crises. Why have left governments championed austerity in response to crisis since the early 1990s but not earlier? Further statistical analysis shows that as countries accumulate more debts over time, especially during crises, financial market pressures over debt financing increasingly impel left governments to enact more austere fiscal policies than non-left governments. This is supported by qualitative analysis of select country responses in the late 2000s, which gets special attention given the political and economic significance of the new austerity that started in the early 2010s.

The fiscal policy data I use has been adjusted for the budgetary effects of business cycles, and therefore capture fiscal policy outputs associated with revenue and spending decisions governments make in response to changing economic conditions. There is some debate about whether outcome-based measures capture policymakers' intentions to increase or reduce the budget balance. An alternative approach focuses on discretionary choices regarding revenue and expenditure motivated by government's desire to reduce the budget deficit (Dellepiane-Avellaneda and Hardiman, 2015; Devries et al., 2011; Mauro, 2011). Unfortunately, Devries et al.'s (2011) dataset focuses only on episodes of fiscal consolidation and has limited spatial and temporal coverage. The qualitative analysis helps provide a deeper understanding of the *process* of crisis management with a focus on government *intentions* and *timing*.

Fiscal policy is not only central to economic stability, but it is also important for understanding government objectives. A government's economic priorities are reflected in its national budget. Since the emergence of market economies, the economic dimension has been a major axis around which the political space has been structured, defining distinguished party positions with left parties supportive of state intervention. Survey data in advanced economies consistently show that left-leaning individuals are more likely to support redistribution (Mosimann and Pontusson, 2017), and, as a corollary, individuals believe that left parties

champion such policies more than center-right parties. Accordingly, the legitimacy of the party system and of the democratic order still hinge on the assumption of traditional partisan effects. The ideological mix with political partisanship during hard times surely is confusing to ordinary citizens. It also likely has dire political consequences.

1. Literature review

The “old” literature on the effects of government partisanship on macroeconomic policy and of the conditional effect of economic conditions (Carlsen, 1997; Cusack, 1999; Hibbs, 1977) expects left governments to pursue *more* expansionary fiscal policies (i.e., run larger deficits and increase spending more) than non-left governments over the course of the business cycle (Alesina et al., 1993: 16-18; Oatley, 1999). Such partisan effects are mainly driven by differences during downturns (Carlsen, 1997), as left governments face conflicting incentives during early recoveries—either to hold on to fiscal stimulus to bolster a fragile recovery or to withdraw from it as the rise in unemployment slows down. I refer to such asymmetrical partisan effects over the cycle as the “*old asymmetry*”.

Alternatively, left governments are expected to run counter-cyclical and non-left government pro-cyclical fiscal policies (Cusack, 1999). The former will enact *more* expansionary policies than the latter during downturns but *more* contractive policies during upturns. Meanwhile, left governments will be more likely than non-left governments to increase outlays during recessions and to raise taxes during recoveries (Mulas-Granados, 2006; Tavares, 2004). I refer to such symmetric partisan effects over the cycle as the “*old symmetry*”.

Regarding cross-*temporal* change, it is commonplace to argue that the political space for “old” partisan differences over the size and composition of fiscal policies has narrowed, if not disappeared altogether, due to changing political-economic circumstances since the late 1970s (Cusack, 1999; Oatley, 1999; Scharpf, 1991). Featuring prominently among the secular

changes constraining governments' budgetary decisions are the ascendancy of monetarist ideas (McNamara, 1998), economic globalization (Garrett, 1998), the growth of the welfare state (Darby and Melitz, 2008), new forms of macroeconomic governance (Baskaran, 2009), and electoral risks surrounding fiscal consolidation (Hübscher and Sattler, 2017).

In line with this prediction, research suggests that partisanship has little to no traction to explain cross-national variation in fiscal policy reactions to the GFC (Ansell, 2012; Armingeon, 2012; Raess and Pontusson, 2015; Toloudis, 2015).³ Scholars point to government structures (Armingeon, 2012), the European Monetary Union (Cameron, 2012), trade openness (Cameron, 2012; Pontusson and Raess, 2012), and varieties-of-capitalism (Toloudis, 2015) to explain the extent of discretionary fiscal stimulus during the Great Recession. Mandelkern (2016) argues that a common structure of macroeconomic governance has led to (configurative) uniformity of macroeconomic policy responses. Others have referred to the idea of “expansionary fiscal contraction” (Blyth, 2013; Dellepiane-Avellaneda, 2015) and to strategic interactions among trade partners (Beckman, 2018) to explain why governments of all persuasions reversed course and adopted austerity from 2010 onward. Still others argue that financial markets indiscriminately constrained fiscal policymaking in the European periphery during the sovereign debt crisis (Chang and Leblond, 2015; Thompson, 2016; see also Schmidt 2014).

2. The argument

The literature has paid insufficient attention to the external constraints surrounding fiscal policymaking *by left governments* against the background of crisis-related surging debt. I argue that financial market pressures are an effective constraint of left government action in response to crisis. Specifically, I expect a “*new asymmetry*” whereby left governments are

³ Ansell (2012) and Raess and Pontusson (2015) show that the effect of partisanship on fiscal policy in 2008-2009 is conditional on housing booms and on the size of the welfare state, respectively.

significantly more likely than non-left governments to engage in fiscal consolidation over the business cycle. My argument suggests that traditional partisanship patterns are overcome and in fact reversed during crises in an age of high public indebtedness and capital market openness.

The idea that markets have a preference for right-leaning governments features prominently in the literatures on the politics of sovereign debt and on the effect of financial markets on economic policies (Breen and McMenamin, 2013; Kaplan, 2013; Mosley, 2000). International investors are primarily concerned about inflation, budget deficits and debt (Mosley, 2000: Table 1). Bond market actors worry about deficits financed via government borrowing that result in large debts. They worry about incentives to default or to inflate away public debt. In comparison, market participants care less about government spending as long as deficits can be closed by increased revenues (Mosley, 2000: 749). This may have changed from the mid-1990s onward with the rise of the idea of “expansionary fiscal consolidation”. It contends that fiscal contraction can be expansionary in the short-run, and that consolidation through spending cuts (tax increases) tends to be expansionary (contractionary) (Alesina and Ardagna, 2009; Alesina and Perotti, 1997; Alesina et al., 1998; see also Mulas-Granados, 2006). This became an established idea among academics and policy experts (Dellepiane-Avellaneda, 2015), arguably altering beliefs and expectations of market participants about what they want to see happen—not only balanced budgets, but also *expenditure*-based adjustments.

Market participants prefer right governments because they associate left governments with higher deficits (and arguably a lower propensity to slash spending to balance budgets). Left governments imply higher default or inflation risks, and therefore they have a lower credibility as sovereign debtors. To international investors, government ideology works as an information shortcut for deeper economic policy preferences. Accordingly, they charge an interest rate premium on fresh borrowing by left governments. Mosley (2000) finds that left governments pay a higher interest rate on long-term government bonds, while Breen and

McMenamin (2013) show that a change in government ideology toward the right correlates with a significant reduction in the interest rate on sovereign debt.

Capital mobility changes the incentives faced by indebted left governments. Amidst a severe crisis, when deficits and debt surge, borrowing costs by left governments will be spiraling upwards, further increasing debt. This may reach a point where further debt financing is unsustainable. To tame nervousness among bond investors and allow borrowing at reasonable cost, that is, at levels similar to right governments, left governments will be compelled to pursue more restrictive fiscal policies. In other words, left governments need to pursue more severe austerity programs than non-left governments to compensate for their “credibility gap”.

In sum, when public debt is skyrocketing, I expect bond markets to compel left governments down the path of fiscal consolidation, generating partisan *divergence* over fiscal policy outputs. Specifically, at high levels of debt, left governments will pursue more *restrictive* fiscal policies over the business cycle than non-left governments (hypothesis one). Whether markets are concerned about deficits only or, as implied by the idea of “expansionary fiscal consolidation”, about deficits and spending is an open question.

Regarding cross-temporal partisan effects, as said, there is a widespread expectation that “old” partisan effects have decreased over time. In terms of the timing of the decline, the Long Recession of 1974-1982 is often seen as marking the end of the Keynesian era (Scharpf, 1991). By contrast, my theory expects partisan effects of the “new” type (i.e., the “new asymmetry”) to increase over time (hypothesis two). First, the “new” partisan effects move in tandem with public debt and international bond markets, which have both grown on average in advanced economies since the mid-1970s. Second, the average debt increase grew bigger in successive crises. While the quantitative analysis tests both the cross-sectional and cross-temporal effects, the qualitative analysis only tests the former (in the last crisis).

What about the timing of the “new” partisan effects within the cycle? Arguably, a major downturn may unleash an emergency where all governments, irrespective of their ideological position, pursue an activist fiscal policy following a “rally around the flag” logic. While this may damp partisan effects over the size of the initial stimulus, one might still observe partisan effects over the composition of fiscal policy. Nonetheless, the increase in debt caused by the initial stimulus might carry such weight as to tip the balance toward action by bond market actors. The partisan divergence is thus likely to occur once the initial downturn turned into a sovereign debt crisis consecutive to counter-cyclical state intervention, that is, either during a subsequent downturn, in the context of a protracted crisis, or during an early recovery.

3. Research design and data analysis

Building on the rich scholarship on crisis responses, and against the backdrop of the claim that partisan effects have narrowed, I focus on international economic crises. Crises arguably constitute “most likely cases” of partisan effects. Due to economic hardship, crises increase the salience of economic issues (Bremer, 2018). Governing (and opposition) parties come under pressure to respond to the socio-economic dislocation endured by their core electoral constituencies. Amidst uncertainty, parties may fall back on policies that they have relied upon in the past—that is one of the lessons of the 1970s (Hall, 2013: 143). Accordingly, “old” partisan patterns may have resurfaced in recent crises. Meanwhile, there is an intrinsic openness to politics in times of crisis (Gourevitch, 1986: 239-240). Crises can present governments with a relatively wide space of action as they might minimize the burden of past policies on present decisions. They might constitute “critical junctures” (Collier and Collier, 1991) in which particular decisions, deliberately chosen or imposed by circumstances, predispose subsequent developments. Either way, there is much to gain from detailed analysis of the drivers of change at key historical moments, such as the 2010 turn to austerity (Blyth,

2013; Hay, 2010). Cognizant of this and the fact that I focus on the role of *government partisanship in fiscal policy responses to international crises*, the present research design—which combines multiple cross-sectional analysis covering three crises with qualitative analysis of the politics of fiscal consolidation in selected cases in the late 2000s, including two pairwise comparisons between “most similar” cases—is well suited to tackle the question(s) at hand. It is not intended to test the argument for the entire period including long spells of relative economic stability using cross-sectional time-series analysis, and I leave that question for future research.

Due to data constraints on the dependent variables that extend no further back than 1980, I focus on the following international crises caused by external shocks: the crisis of the early 1980s, following the second oil shock of 1979 and the sharp rise in oil prices (and inflation); the crisis of the early 1990s, resulting from geopolitical instability (fall of the Berlin Wall in 1989, collapse of the Soviet Union, First Gulf War of 1990-1991) compounded by several domestic banking/currency crises; and the aftermath of the GFC, namely the Great Recession and the sovereign debt crisis. While the origins and the nature of the three crises were different, the commonality is that they are characterized by a sudden deterioration of macroeconomic indicators (GDP growth, unemployment, public debt) and experienced simultaneously by a large number of countries.⁴ To mitigate the risk that idiosyncratic factors explain the pattern found in the analysis, the fiscal policy data I use has been adjusted for the large one-off fiscal transactions that distort the accuracy of cyclically-adjusted fiscal balances, such as the bank bailouts in 2008-2009 (OECD, 2008). Additionally, in robustness checks, I control for factors that are specific to a crisis or period.

An international crisis is a relatively bounded phenomenon. I delimit recession and recovery years for each crisis. I end a “crisis window” with the first international recovery year,

⁴ For a similar research design, see Starke et al. (2013).

unless it is followed by an aftershock. This operationalization does justice to the fact that economic crises are often not one-off events. A year qualifies as an international recession when more than two-thirds of the countries in the sample experience year-on-year decelerations in (real) GDP growth. I obtain the following one- or two-year recession episodes: 1981; 1990-1991 and 1993; 2008-2009 and 2012. It is worth emphasizing the protracted nature of the last two crises, characterized each by two episodes of recession. Similarly, a year is considered an international recovery when more than two-thirds of the countries experience year-on-year accelerations in economic growth. I obtain: 1984; 1994; 2010 and 2013. The 2010 recovery was highly synchronized as 21 of the 23 countries in the sample experienced year-on-year increase in growth between 2009 and 2010 (the average change was 5.5%). Clearly, it was a fragile recovery. Earlier or in-between years (1980, 1982-1983; 1989 and 1992; 2007 and 2011) do neither qualify as international recession nor as international recovery years. In short, I have three crisis windows (1981-1984; 1990-1994; 2008-2013) and estimate partisan effects on cross-sections of recessions and recoveries separately.

The dependent variables capture fiscal policy outputs adjusted for the fluctuations in government expenditures and revenues due to the business cycle. Based on OECD data, I measure the size of fiscal stimulus (or consolidation) by the year-on-year change in the underlying government primary balance as a percentage of potential GDP, and the composition of fiscal policy by the year-on-year change in the underlying government current disbursements excluding interest as a percentage of potential GDP. For two-year recessions, the variables are calculated as the cumulative change over two years. Positive values indicate movements toward deficits (i.e., fiscal stimulus) and spending increases, respectively. For ease of interpretation, the signs of the variables were reverted for recoveries, so that positive values indicate consolidation and spending cuts.

The OECD series for these variables begin in 1980, with one country (New Zealand) entering the dataset in the mid-1980s and another three (Germany, Luxembourg and Switzerland) in the early 1990s. I exclude the Central and Eastern European countries (and new OECD members) because they are characterized by a different historical trajectory and by high instability of the party system which render studying partisanship problematic. Therefore, the analysis includes 19 advanced democracies in the 1980s (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Greece, Iceland, Ireland, Italy, Japan, The Netherlands, Norway, Portugal, Spain, Sweden, United Kingdom, United States), 20 in the 1990s (the 19 and New Zealand), and 23 in the 2000s (the 20 and Germany, Luxembourg, and Switzerland).⁵

Left government is measured as the percentage of cabinet portfolios held by left parties, defined as socialist, social democratic and Green parties, with US Democrats and Canadian Liberals coded as centre parties.⁶ The coefficient for left governments has to be interpreted as the effect of left governments relative to non-left governments, that is, governments composed of centre and/or right parties such as Christian democratic and liberal parties, respectively. On the premise that changes in revenues and expenditures in a given year are affected by government decisions made in the previous and current years, I measure left government as the average cabinet share held by left parties over two years for one-year recessions/recoveries and over three years for two-year recessions. It is a continuous variable ranging from 0 to 100.

Debt is the general government gross financial liabilities as a share of GDP, measured in the year preceding the recession (recovery).⁷ I expect debt to correlate negatively with fiscal stimulus during downturns and positively with consolidation during upturns. The joint significance of *Left* and *Debt* (with both coefficients negative during downturns and positive during upturns) would provide some evidence for my theory.

⁵ Portugal has missing information for the government primary balance but not for disbursements in 1980, which explains why the analysis of fiscal stimulus in 1981 is based on 18 countries.

⁶ Data source is Armingeon et al. (2012, 2020).

⁷ Data is from OECD Economic Outlook, No. 75 for the 1980s and 1990s; No. 92&97 for the 2000s.

Strictly speaking, however, my theory presupposes an interaction effect. A negative (positive) and statistically significant interaction between *Left* and *Debt* during downturns (upturns) would provide strong evidence for my theory. In a supplementary analysis, I interact left government with a proxy for fiscal unsustainability that captures more directly financial market pressures via the bond market. I measure *Fiscal unsustainability* as the product of inherited debt and long-term interest rates (i.e., interest rates on 10-year government bonds), with the latter commonly thought to reflect sovereign default risks. Specifically, it is measured as the sum of standardized scores for *Debt* and long-term interest rates.⁸

Due to the small-N, the baseline model includes only three controls. First, to take into account (remaining) cross-national differences in the timing of the cycle, I control for change in *GDP growth*. It is measured as the difference in GDP growth between the first year of a recession/recovery and the pre-recession/recovery year for one- and two-year episodes alike.⁹ Second, I control for *Automatic stabilizers*. I use non-elderly social spending (in percent of GDP) as the indicator for social protection against the effects of recessions, particularly rising unemployment. Using OECD data, it is measured as total public social expenditures minus old-age expenditures in the year prior to the recession/recovery year(s). Finally, to control for the possibility that trade interdependence might reduce the effectiveness of fiscal stimulus, I control for *Trade* (exports and imports divided by GDP) in the year prior to the recession/recovery.¹⁰ I report OLS estimates.¹¹

I recognize that given the small number of observations, the regression results are at best suggestive. Nevertheless, the results from different model specifications and

⁸ Data on long-term interest rates (current year) are from the OECD. Iceland enters the dataset on long-term interest rates in 1993, explaining the loss of one observation when using the variable financial unsustainability in 1981, 1984 and 1990-1991.

⁹ Data on real GDP growth (expenditure approach) are from the OECD.

¹⁰ Data are from the OECD.Stat (Dataset: Macro Trade Indicators).

¹¹ The standard errors are smaller when I estimate coefficients with robust standard errors. Therefore, the statistical tests are conservative.

operationalization of recessions/recoveries and from the qualitative analysis are consistent with our theory and thus paint a coherent picture of the sources of cross-national and temporal variation in fiscal policy responses to crises.

3.1. Results

Table 1 presents the results for the determinants of fiscal stimulus and consolidation during recessions (columns 1-5) and recoveries (columns 6-9), respectively. Left governments pursued more expansionary policies in the 1981 downturn and during the Great Recession, but the coefficients are statistically insignificant. By contrast, left governments were *less* likely to stimulate aggregate demand than non-left governments during the 1990-1991, 1993 and 2012 recessions, but the *Left* coefficient is statistically significant only in 1993. Inherited debt constrained governments' ability to engage in fiscal stimulus in the early 1990s. Smaller contraction in GDP growth and larger automatic stabilizers correlate with less stimulus in 1981.

Regarding upswings, left governments were less likely to consolidate budgets than non-left governments in 1984 and 1994 but more likely to do so in 2010 and 2013. However, the *Left* coefficient reaches statistical significance only in 2010. Is this result picking up counter-cyclical fiscal policy behavior along the cycle in line with the "old symmetry"? Comparing columns 4 and 8 (or 4-5 and 8-9, for that matter), the answer is "no": while left governments were *more* inclined to pursue fiscal consolidation in 2010, they were *no* more prone to engage in stimulus in 2008-2009. Highly indebted governments were *more* likely to consolidate in 2010. All in all, left governments pursued *more* restrictive fiscal policies over the cycles of the early 1990s and late 2000s/early 2010s.

Table 1. Government partisanship and fiscal stimulus/consolidation

	<i>Downturns</i>					<i>Early recoveries</i>			
	1981	1990-91	1993	2008-09	2012	1984	1994	2010	2013
	DV: stimulus					DV: consolidation			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Left	0.004 (0.012)	-0.007 (0.016)	-0.020** (0.009)	0.016 (0.016)	-0.011 (0.009)	-0.001 (0.009)	-0.002 (0.008)	0.021** (0.009)	0.000 (0.007)
Debt	0.035 (0.028)	-0.047* (0.023)	-0.046*** (0.013)	-0.010 (0.017)	-0.010 (0.008)	0.011 (0.018)	-0.005 (0.013)	0.032*** (0.008)	0.003 (0.005)
GDP growth	-0.579** (0.256)	0.046 (0.294)	-0.174 (0.136)	-0.377 (0.337)	0.110 (0.197)	-0.030 (0.172)	0.014 (0.227)	-0.292*** (0.099)	0.366* (0.178)
Automatic stabilizers	-0.261* (0.122)	0.186 (0.150)	-0.077 (0.067)	-0.126 (0.207)	0.053 (0.099)	-0.077 (0.110)	0.023 (0.087)	0.193 (0.113)	-0.013 (0.078)
Trade	-0.018 (0.022)	0.006 (0.023)	0.010 (0.013)	-0.016 (0.009)	0.000 (0.005)	0.018 (0.017)	0.005 (0.013)	0.008 (0.005)	-0.002 (0.004)
Constant	1.873 (1.320)	1.460 (2.158)	4.137*** (1.258)	5.731 (4.017)	-0.395 (1.704)	0.354 (1.318)	0.353 (1.370)	-4.544* (2.159)	0.668 (1.290)
Observations	18	20	20	23	23	19	20	23	23
R-squared	0.40	0.33	0.54	0.30	0.13	0.15	0.05	0.68	0.30

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table 2. Government partisanship and spending increases/cuts

	<i>Downturns</i>					<i>Early recoveries</i>			
	1981	1990-91	1993	2008-09	2012	1984	1994	2010	2013
	DV: spending increases					DV: spending cuts			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Left	-0.003 (0.007)	-0.010 (0.014)	-0.002 (0.006)	0.011 (0.010)	0.001 (0.009)	-0.007 (0.005)	-0.002 (0.007)	0.012 (0.008)	-0.002 (0.007)
Debt	0.017 (0.017)	-0.042* (0.021)	-0.016 (0.009)	0.003 (0.010)	-0.005 (0.007)	0.014 (0.010)	0.004 (0.011)	0.015** (0.006)	0.001 (0.005)
GDP growth	-0.357** (0.145)	-0.425 (0.265)	-0.221** (0.096)	0.134 (0.202)	0.019 (0.185)	-0.128 (0.098)	-0.228 (0.199)	-0.247*** (0.082)	0.191 (0.159)
Automatic stabilizers	-0.194** (0.068)	0.012 (0.135)	-0.047 (0.047)	-0.146 (0.125)	0.046 (0.093)	-0.074 (0.063)	0.002 (0.076)	0.054 (0.094)	0.001 (0.070)
Trade	-0.012 (0.013)	0.038* (0.021)	0.001 (0.009)	0.012** (0.006)	0.000 (0.004)	0.020* (0.010)	0.008 (0.012)	0.009** (0.004)	-0.001 (0.004)
Constant	2.486*** (0.736)	1.603 (1.944)	1.549 (0.885)	3.054 (2.415)	-0.709 (1.596)	-0.080 (0.753)	0.200 (1.199)	-1.290 (1.797)	-0.007 (1.152)
Observations	19	20	20	23	23	19	20	23	23
R-squared	0.54	0.37	0.39	0.27	0.05	0.53	0.16	0.61	0.13

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table 2 shows the results for the models with spending increases (columns 1-5) and cuts (columns 6-9) as the dependent variables. With one exception, the *Left* coefficients are far from reaching statistical significance. The exception is the upturn of 2010, where left governments were more likely to cut spending than non-left governments (p-value=.128). In that year, indebted governments were associated with *more* spending cuts. Might it be that the effect of government partisanship on spending cuts in 2010 is conditional on debt level?

In short, while I do not find partisan effects in the early 1980s, we observe *asymmetrical* partisan fiscal policy patterns that are consistent with the “new asymmetry” in the last two crises. These patterns not only deviate from the traditional partisan effects where the left is expected to stimulate more than the right in downturns (the “old asymmetry”); they also deviate from the classical symmetrical partisan effects whereby the left behaves counter-cyclically and the right pro-cyclically (the “old symmetry”). They comport with my cross-temporal theoretical predictions (hypothesis two). Importantly, where the coefficient for left government is statistically significant, the coefficient for debt is also significant, indicating that high debt restricts expansionary fiscal policies. Debt does not have a similarly restricting effect in the 1980s. Together, this provides a first piece of evidence for my theory about the constraining role of financial markets (hypothesis one).

Next, I directly test my argument about the role of financial markets, starting with models including the interaction term *Left*Debt* (Tables 3-4). Two results stand out, both in line with my theory. First, in the 2010 recovery, for both consolidation and spending cuts, while the *Left* coefficients are negative and insignificant, the interaction terms are positive and highly significant (columns 8). At high debt levels, left governments were *more* likely to consolidate budget and cut spending than right governments. Second, in the subsequent 2012 recession, the constitutive terms *Left* are positive and insignificant while the coefficient for *Left*Debt* are negative and (weakly) significant (columns 5), suggesting that highly indebted left governments

were *less* likely to stimulate and increase spending than highly indebted non-left governments. In short, the constraining effects of financial markets on indebted left governments amidst the European sovereign debt crisis span several years.

The results with the interaction term *Left*Financial unsustainability* (Tables 5-6) confirm that fiscal policy responses to the GFC were characterized by the “new asymmetry” and that financial market pressure was a main driver of the observed partisan patterns. Compared to the results with *Left*Debt*, there is one twist: while the patterns for the 2010 upturn are similar (columns 8), the results for the 2012 downturn are insignificant (columns 5). Instead, we observe a *fiscally conservative bias* by left governments regarding spending increases when financial market pressure is high during the Great Recession (column 4, Table 6). Furthermore, left governments were *less* inclined to cut spending in the 1984 recovery, particularly at low levels of debt/financial unsustainability (column 6, Tables 4 and 6). This result sits in-between the old and new epochs, being simultaneously a remnant of the Keynesian era and an illustration of the constraining effect of financial markets. The negative and statistically significant coefficient for *Left*Financial unsustainability* on consolidation in 1984 (column 6, Table 5) is more difficult to square with existing theories. If anything, this result is reminiscent of the “old asymmetry”.

In sum, I find partisan effects over fiscal policy characterized by the “new asymmetry” in the last two crises. Partisan effects have not decreased over time, they have increased and they have gone into the reverse. The empirical evidence for the constraining role of financial markets on left governments—coming from the correctly signed and statistically significant 1) *Debt* coefficients when new partisan effects are observed (Table 1) and, especially, 2) *Left*Debt* interactions (Tables 3-4) and *Left*Financial unsustainability* interactions (Tables 5-6) in the crisis that unfolded in the late 2000s—is stronger in 2008-2013 than in 1990-1994. It is also stronger in the last two crises compared to the 1981-1984 crisis, given the remnants of the “old

asymmetry” in the early 1980s. In all, the results are consistent with both my cross-sectional and -temporal theoretical predictions (hypotheses one and two). In addition, the analysis reveals that financial markets were primarily concerned about balanced budgets in the 1990s, and about both balanced budgets and spending cuts in the 2000s, pointing to the increased traction gained by the notion of expansionary fiscal consolidation among market participants and governments as countries accumulate more debts over time. Finally, the absence of direct partisan effects in 1981, 1990-1991, and 2008-2009 suggests “rally around the flag” effects in the initial phase of international crises. The partisan politicization of fiscal policy during the Great Recession concerns spending choices, not fiscal stimulus.

Why do we not find “new” partisan effects in the 1980s? The cross-temporal analysis suggests that high debt is a necessary condition for kind of the partisan effects found in the past two crises. Put differently, some sort of debt crisis is a condition for left government credibility deficit followed by fiscal rebalancing. As illustration of this, debt never shows up as a statistically significant constraint on fiscal policymaking in the 1980s (Tables 1-4). There has been a massive surge in average public debt in our samples of OECD countries in the early 1980s (by 12.2 percentage points over 1980-1983), the early 1990s (14.8 over 1989-1993) and late 2000s (20.2 over 2007-2010). In light of my theory, we do not observe reversed partisan effects in the 1980s because 1) average public debt increased less than in subsequent crises; 2) countries still had overall low levels of debt; and 3) capital market openness was more limited.

Table 3. Government partisanship and fiscal stimulus/consolidation, conditional on debt level

	<i>Downturns</i>					<i>Early recoveries</i>			
	1981	1990-91	1993	2008-09	2012	1984	1994	2010	2013
	DV: stimulus					DV: consolidation			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Left	-0.068 (0.046)	0.046 (0.049)	-0.033 (0.027)	0.048 (0.039)	0.019 (0.019)	0.015 (0.024)	0.004 (0.026)	-0.010 (0.015)	-0.009 (0.017)
Left*Debt	0.002 (0.001)	-0.001 (0.001)	0.0002 (0.0005)	-0.001 (0.001)	-0.0004* (0.0002)	-0.0003 (0.0005)	-0.0001 (0.0004)	0.0005** (0.0002)	0.0001 (0.0002)
Debt	-0.021 (0.044)	-0.004 (0.044)	-0.056** (0.024)	0.004 (0.023)	-0.001 (0.009)	0.018 (0.021)	-0.0005 (0.021)	0.016 (0.010)	0.0002 (0.007)
GDP growth	-0.401 (0.266)	-0.045 (0.301)	-0.171 (0.140)	-0.361 (0.339)	0.078 (0.186)	-0.001 (0.180)	0.037 (0.250)	-0.224** (0.092)	0.340* (0.186)
Automatic stabilizers	-0.264** (0.115)	0.247 (0.157)	-0.081 (0.069)	-0.047 (0.227)	0.086 (0.094)	-0.065 (0.114)	0.017 (0.092)	0.098 (0.108)	-0.034 (0.087)
Trade	-0.006 (0.022)	0.005 (0.023)	0.008 (0.014)	-0.015 (0.009)	0.001 (0.004)	0.016 (0.017)	0.006 (0.014)	0.007 (0.005)	-0.002 (0.0043)
Constant	3.744* (1.710)	-2.081 (3.727)	4.944** (2.034)	3.701 (4.639)	-1.800 (1.769)	-0.243 (1.590)	0.043 (1.851)	-2.005 (2.195)	1.215 (1.597)
Observations	18	20	20	23	23	19	20	23	23
R-squared	0.51	0.39	0.55	0.33	0.28	0.19	0.05	0.76	0.31

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table 4. Government partisanship and spending increases/cuts, conditional on debt level

	<i>Downturns</i>					<i>Early recoveries</i>			
	1981	1990-91	1993	2008-09	2012	1984	1994	2010	2013
	DV: spending increases					DV: spending cuts			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Left	-0.034 (0.029)	0.002 (0.046)	-0.011 (0.019)	0.029 (0.023)	0.028 (0.018)	-0.026* (0.013)	0.014 (0.022)	-0.018 (0.012)	-0.018 (0.015)
Left*Debt	0.001 (0.001)	-0.0002 (0.0008)	0.0002 (0.0003)	-0.0003 (0.0004)	-0.0004 [†] (0.0002)	0.0004 (0.0003)	-0.0003 (0.0004)	0.0005*** (0.0001)	0.0002 (0.0002)
Debt	-0.007 (0.027)	-0.032 (0.042)	-0.022 (0.017)	0.010 (0.014)	0.003 (0.008)	0.004 (0.011)	0.015 (0.018)	-0.001 (0.007)	-0.004 (0.006)
GDP growth	-0.275 (0.161)	-0.446 (0.284)	-0.219** (0.099)	0.143 (0.204)	-0.010 (0.175)	-0.163 (0.094)	-0.169 (0.214)	-0.180** (0.071)	0.145 (0.160)
Automatic stabilizers	-0.192** (0.068)	0.026 (0.149)	-0.050 (0.049)	-0.100 (0.136)	0.076 (0.089)	-0.089 (0.060)	-0.012 (0.079)	-0.040 (0.083)	-0.038 (0.075)
Trade	-0.007 (0.014)	0.038 (0.021)	0.0002 (0.010)	0.013** (0.006)	0.001 (0.004)	0.021** (0.009)	0.011 (0.012)	0.008** (0.004)	-0.0003 (0.0037)
Constant	3.276*** (1.015)	0.796 (3.516)	2.075 (1.433)	1.876 (2.793)	-1.965 (1.673)	0.665 (0.834)	-0.606 (1.587)	1.235 (1.685)	0.983 (1.375)
Observations	19	20	20	23	23	19	20	23	23
R-squared	0.58	0.37	0.40	0.30	0.20	0.62	0.20	0.75	0.21

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Note: [†] p.value=.101

Table 5. Government partisanship and fiscal stimulus/consolidation, conditional on financial unsustainability

	<i>Downturns</i>					<i>Early recoveries</i>			
	1981	1990-91	1993	2008-09	2012	1984	1994	2010	2013
	DV: stimulus					DV: consolidation			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Left	0.004 (0.009)	0.002 (0.015)	-0.016 (0.012)	0.020 (0.016)	-0.008 (0.007)	-0.006 (0.006)	-0.001 (0.008)	0.020** (0.008)	-0.001 (0.007)
Left*financial unsust.	0.007 (0.009)	-0.018 (0.016)	-0.005 (0.009)	-0.002 (0.022)	-0.004 (0.004)	-0.023*** (0.007)	0.0003 (0.008)	0.012* (0.006)	-0.004 (0.006)
Financial unsust.	0.406 (0.429)	-0.429 (0.702)	-0.538 (0.391)	0.404 (0.902)	-0.398 (0.250)	0.988** (0.330)	0.289 (0.478)	0.408 (0.333)	0.448* (0.247)
GDP growth	-0.546** (0.182)	-0.080 (0.320)	-0.101 (0.164)	-0.407 (0.339)	0.200 (0.149)	-0.134 (0.139)	-0.226 (0.236)	-0.069 (0.086)	0.127 (0.215)
Automatic stabilizers	-0.320** (0.109)	0.059 (0.185)	-0.109 (0.088)	-0.062 (0.213)	0.052 (0.075)	0.019 (0.082)	0.106 (0.089)	0.096 (0.092)	-0.020 (0.073)
Trade	-0.010 (0.019)	0.015 (0.027)	0.004 (0.016)	-0.013 (0.010)	0.000 (0.004)	-0.004 (0.014)	-0.004 (0.012)	0.006 (0.004)	0.003 (0.004)
Constant	3.525*** (1.079)	-0.650 (1.815)	1.809 (1.236)	3.728 (3.289)	-1.170 (1.130)	0.941 (0.870)	-0.298 (0.968)	-1.526 (1.546)	0.812 (1.075)
Observations	17	19	20	23	23	18	20	23	23
R-squared	0.69	0.41	0.37	0.31	0.53	0.58	0.16	0.79	0.43

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table 6. Government partisanship and spending increases/cuts, conditional on financial unsustainability

	<i>Downturns</i>					<i>Early recoveries</i>			
	1981	1990-91	1993	2008-09	2012	1984	1994	2010	2013
	DV: spending increases					DV: spending cuts			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Left	-0.002 (0.006)	-0.002 (0.015)	-0.001 (0.007)	0.004 (0.008)	0.002 (0.007)	-0.009* (0.005)	-0.004 (0.007)	0.013** (0.005)	0.001 (0.006)
Left*financial unust.	0.002 (0.005)	-0.014 (0.016)	-0.001 (0.006)	-0.028** (0.011)	-0.003 (0.005)	0.000 (0.006)	-0.007 (0.007)	0.014*** (0.004)	0.006 (0.006)
Financial unsust.	0.337 (0.257)	-0.388 (0.679)	-0.276 (0.236)	0.769 (0.448)	-0.295 (0.260)	0.331 (0.255)	0.610 (0.409)	-0.032 (0.220)	0.065 (0.226)
GDP growth	-0.328*** (0.105)	-0.554* (0.309)	-0.211* (0.099)	0.084 (0.168)	0.109 (0.155)	-0.241** (0.108)	-0.338 (0.202)	-0.115* (0.057)	-0.012 (0.196)
Automatic stabilizers	-0.189** (0.064)	-0.088 (0.179)	-0.067 (0.053)	-0.096 (0.106)	0.048 (0.078)	0.026 (0.064)	0.036 (0.076)	-0.004 (0.061)	-0.014 (0.066)
Trade	-0.013 (0.012)	0.044 (0.026)	0.001 (0.009)	0.011** (0.005)	-0.001 (0.004)	0.008 (0.011)	0.005 (0.010)	0.008*** (0.003)	0.003 (0.004)
Constant	3.146*** (0.600)	-0.380 (1.756)	0.861 (0.744)	2.714 (1.635)	-0.958 (1.179)	0.163 (0.674)	0.486 (0.828)	0.071 (1.023)	0.145 (0.982)
Observations	18	19	20	23	23	18	20	23	23
R-squared	0.73	0.37	0.39	0.51	0.36	0.63	0.29	0.84	0.26

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

3.2. Robustness checks

I perform several robustness checks and a jackknife analysis. First, I include additional controls introduced one at the time in the baseline models (see Appendix Table A1 for data sources and operationalization).¹² I control for the political cycle (*election year*), institutional constraints (*one-party governments*; and, in the last two crises, *EMU*), (past) macroeconomic policies (*short-term interest rates*; and, for recoveries, *past stimulus/spending increases*), and economic conditions (*current account balance*; in the last two crises, *banking crisis*; and, in the last crisis, *bank bailouts* and *IMF/EU bailout*). Second, I use an alternative measure of left government where I treat US Democrats and Canadian Liberals as left parties. Third, I report results for the comparable sample of 19 countries across the three crises.

The results are shown in Tables A2-A12. The results that hold up *all* robustness checks are the negative association between left government and fiscal stimulus in 1993 (Table A2),¹³ and the positive interaction *Left*Financial unsustainability* in 2010 when the outcome is spending cuts (Table A12). Three more results are highly robust, namely the interaction effects *Left*Financial unsustainability* on spending in 2008-2009 (Table A10) and *Left*Debt* on consolidation and spending cuts in 2010 (Tables A5 and A7, respectively).¹⁴ Even though we lose Iceland (N=18), there is robust evidence that left governments were *less* likely to consolidate under conditions of financial unsustainability in 1984 (Table A8).¹⁵

The jackknife analysis, performed on the baseline models for the above robust results, reveals that the results for the two interaction models in 2010 on spending cuts and for the

¹² The Appendix can be found online.

¹³ The positive association between left government and consolidation in 2010 holds up except for the reduced sample (Table A3).

¹⁴ Only in the models that control for IMF/EU bailout do these interaction terms fail to reach statistical significance. Arguably, being under IMF/EU bailout is a symptom of (past) fiscal policy choices and constraints and therefore should not be controlled for.

¹⁵ All these results are robust to alternative specifications, including substituting change in unemployment for change in GDP growth, and controlling for union density, population size, change in debt level, and financial sector size.

interaction model with financial unsustainability in 1984 on fiscal consolidation are not dependent on the inclusion of any particular country. The other results are influenced by 1-2 specific cases, which is not that surprising, given the small-N. Note that in 1993, the *Left* coefficients border statistical significance when the influential cases (Italy and Portugal) are removed (p-values=.111 and .124, respectively).

Moreover, I consider alternate cut-offs to define international recessions and recoveries. By the three-fifth criterion, 1989 and 2011 qualify as recessions. By the three-fourth criterion, 1981 and 1990 fail to qualify as recessions while 2013 fails to qualify as recovery. This leads to the recession “windows” 1989-1991, 1991, and 2011-2012. The results suggest that left governments were *less* inclined to stimulate than non-left governments at high level of financial unsustainability in 1989-1991 (Table A13), and that left governments were not only *less* likely to stimulate than non-left governments in 2011-2012 but also *less* prone to stimulate and increase spending at high levels of debt (Table A15). Although the former result barely fails to pass one robustness check (Table A16), it nonetheless increases the available evidence for the constraining role of financial markets on left governments in the early 1990s. The robustness of the latter results when the dependent variable is stimulus (Tables A18-A19) offer compelling evidence for enduring capital markets pressure on left governments in the last crisis, covering the entire period 2008-2012.

4. Qualitative analysis

To flesh out the quantitative results and increase confidence in my theory, this section delves deeper into the politics of fiscal policy responses in (the run-up to) 2010. I focus on 2010 because of the robust quantitative findings for that year, and because of the significance of 2010 as a tipping point in the political and economic history of advanced capitalism. The bulk of the discussion centers on two pairwise comparisons between cases that exhibit strong similarities,

but that vary in the key predictor government partisanship. Subsequently, I briefly discuss the remaining cases of left majority government (including the US, but excluding countries under IMF/EU bailout), cases that vary significantly in the key predictor debt level.

Table 7 shows fiscal policy outputs under different constellations of partisanship and debt in 2010. Countries with left majority governments in 2009-2010 were Australia, Norway, Portugal, Spain, and the UK. On average, left majority governments *slashed* spending by .83% of GDP, left minority governments by .19%, whereas governments without left participation *increased* spending by .25%. A similar story can be told about fiscal consolidation, though the difference between governments with some and with no left participation is not significant. These differences do not depend on a particular coding of the Obama administration.

Clearly, financial markets played a huge role during the EU sovereign debt crisis that begun in 2010 (Blyth, 2013; Chang and Leblond, 2015; Thompson, 2016). Whereas bond market pressure was largely absent before the GFC,¹⁶ it emerged as an important constraint on governments in the aftermath of the Greek bailout. Bond market actors compelled governments, particularly in the Southern periphery of Europe, to adopt austerity (Blyth, 2013: 62-71). As Kaplan (2013: 20) put it:

High levels of bond market indebtedness have placed the developed world, from Greece and Ireland to Portugal, Italy and Spain under the microscope of global capital markets. To contain the economic and financial fallout of capital withdrawal, these countries have adopted a raft of austerity measures.

At closer inspection, however, bond market pressure varied significantly in Southern European countries. Also, financial market pressures were not strictly limited to the European periphery. Is there any qualitative evidence of bond markets compelling indebted left (but not right) governments into a trade-off between adopting austerity and spiraling borrowing costs in 2010?

¹⁶ Government bond yields in the Eurozone had essentially converged (Table 8).

Table 7. Government partisanship and fiscal policy in 2010

	Left Cabinet Share (CS), average 2009-2010		
	Left Majority (CS>50%)	Left Minority (20%<CS≤50%)	No Left (CS≤20%)
High Debt (>90%)	PRT: .77 (.83)		BEL: -.09 (.53) FRA: -.12 (.78) ITA: .05 (1.08) JPN: -1.09 (-.26)
Medium Debt (>60% ; ≤90%)	ESP: .86 (2.69) GBR: .36 (1.41)	AUT: .23 (.55) DEU: -.06 (-1.03) NLD: -.33 (1.25)	CAN: -.49 (-1.19) USA: -.47 (.32)
Low Debt (≤60%)	AUS: .88 (.45) NOR: 1.3 (.91)	LUX: 1.08 (.2) CHE: .02 (-.56)	DNK: .22 (1.13) FIN: -1.17 (-.57) NZL: .31 (-.88) SWE: .35 (-.87)
Under IMF/EU bailout	GRE: 5.25 (6.68) ISL: 3.76 (5.28)		IRE: 2.05 (2.86)
Averages	.83 (1.26) with USA: .62 (1.10)	.19 (.08)	-.25 (.01) w/o USA: -.23 (-.03)

Notes:

- size of spending cuts (as % GDP) in bold
- size of consolidation (as % GDP) in parenthesis; positive numbers indicate movement towards surplus
- public debt level measured in 2009
- averages (bottom quadrant) exclude Greece, Iceland and Ireland under IMF/EU bailout
- Debt-to-GDP ratios above 60% and especially 90% arguably negatively impact growth (Reinhart and Rogoff 2009).

4.1. Pairwise comparisons

The comparisons are Spain-Italy and Portugal-France. The four belong to the Mediterranean type of capitalism (varieties-of-capitalism classification) and the conservative

welfare regime,¹⁷ and they are EMU members. During the period under study, all featured fragmented government structures (minority or coalition governments), thereby removing government type as an alternative explanation. Moreover, the former two are parliamentary democracies while the latter two are mixed democracies. Importantly, Spain and Italy have economies of comparable size and, although Italy had a higher debt, both had foreign debt ratios of about 50% in 2008-2009 (Gros, 2013: 508), while Portugal and France had similar levels of inherited debt and increases in debt (see below), thereby excluding economic size, the composition of debt or (change in) debt level as alternate explanations. External conditionality can also be ruled out as Portugal was bailed out in April/May 2011 and Spain in June 2012.

The Spain-Italy comparison

Spain and Italy held parliamentary elections in early 2008 that yielded a single-party minority left government—reelection of Prime Minister Zapatero—and a right-wing coalition government—led by PM Berlusconi—respectively. Even though Spain underwent a severe and Italy a mild banking crisis, both countries were hard hit by the GFC, both experiencing a GDP decline of -7.2% in 2008-2009. Despite enacting larger stimulus and financial bailout packages in 2008-2009, Spain was in a much more favorable position regarding the level of debt—the Spanish debt climbed from 42.4% of GDP in 2007 to 62.9% in 2009 whereas the Italian debt increased from 112.4% of GDP to 128% during the same period (Table 8). Although the distinct banking models and systems in Spain and Italy might explain why the former but not the latter experienced a *late* (i.e., *post-2010*) full-fledged sovereign debt crisis (Quaglia and Royo, 2015), given the initial economic conditions and timing, it is not clear why Spain implemented more austere fiscal policies (net of the bailout of financial institutions) than Italy *in 2010* (Table 7).

¹⁷ In the comparative welfare literature, the Italian, Portuguese and Spanish welfare systems are usually included in the conservative model together with France and Germany, although there are important distinctions between the southern and continental types, notably regarding the role of the family. Yet, it is unclear how this distinction would explain away the different outcomes in Portugal and France.

Table 8. Economic indicators 2007-2010 (selected countries)

	debt 2009	Δ debt 2007-09	bond yields	
			2007	2010
Spain	62.9	20.5 (48.3)	4.31	4.25
Italy	128.0	15.6 (13.9)	4.49	4.04
Portugal	93.5	18.0 (23.8)	4.42	5.40
France	91.2	18.3 (25.1)	4.30	3.12

Note: The numbers in parentheses are the percentage increase between 2007 and 2009

The analysis of the Spanish case relies on the detailed account by Dellepiane and Hardiman (2012). Spain's initial response to the Great Recession was resolutely Keynesian. Re-elected in March 2008 on a pledge to pursue expansionary fiscal policy including an income tax rebate and a new-born grant, the Socialist government adopted a counter-cyclical fiscal policy consisting of tax cuts and extra welfare entitlements, arguing that the economic shock required active fiscal policy to support growth, protect employment and alleviate rising unemployment. This Keynesian stance was maintained throughout 2008 and most of 2009.

As the severity of the crisis became clear in late 2009, the Zapatero government adopted a 2010 budget that projected to phase out the extraordinary stimulus and to raise taxes, including the cancellation of the tax rebate and a 1.5% VAT increase. In the early phase of consolidation, the government was committed to a "Social-Democratic approach to crisis" whose objective was to protect social spending. In January 2010, *against the background of a rapidly worsening international economic environment*, the government announced emergency measures¹⁸ to

¹⁸ Under *Plan de Acción Inmediata 2010* and *Plan de Austeridad 2011-13*.

intensify fiscal consolidation including spending cuts of 0.5% of GDP, a freeze on public sector recruitment and other cost control measures.

While these measures were thought to be introduced gradually, the government, *facing mounting financial market pressure as a result of the contagion of the Greek crisis* (i.e., IMF/EU bailout of Greece in May 2010), adopted a policy U-turn by introducing extensive spending cuts in May 2010. An emergency budget speeded up the pace of fiscal adjustment, aiming at €15bn in spending cuts for the second half of 2010 and into 2011, or 1.5% of GDP. Saving measures included civil servant wage cuts of 5% in 2010 and a wage freeze in 2011, cuts of 15% to politicians' pay, changes to pension entitlements, withdrawal of the new-born grant, cancellation of dependency benefits and cuts to the public capital program. The goal was to achieve a debt-to-GDP ratio of 60.1% for 2010, instead of the planned 65.9%. In short, in the wake of the financial rescue plan for Greece and ongoing turbulence in bond markets, the government deepened the austerity program and resolutely switched the policy paradigm away from tax increases to spending cuts.

Did the more severe turn to austerity in Spain compared to Italy enable the Spanish government to borrow at lower costs than the Italian government in international markets? The answer is “no.” In 2010, the long-term government bond yields stood at 4.25% in Spain and 4.04% in Italy (Table 8). The pattern is similar if I consider the extended window of 2010-2011: the Spanish government cut spending by 3.09% of GDP over 2010-2011 (budget consolidation of 4.04% of GDP) while the Italian government reduced outlays by only 0.65% (fiscal adjustment of 1.33%). More austerity did not translate into lower borrowings costs: interest rates on 10-year bonds stood at 5.44% in Spain and at 5.42% in Italy in 2011.¹⁹ In sum, compared to the right-wing Berlusconi government, the left-wing Zapatero government's

¹⁹ Due to ECB interventions in December 2011 and February 2012, Italy and Spain benefited from a temporary reduction in borrowing costs (Quaglia and Royo 2015). ECB President Mario Draghi's “whatever it takes” statement was made in July 2012, in the wake of Spain's bailout.

greater commitment to fiscal adjustment just about enabled it to overcome its credibility deficit toward bond investors, evidenced by the fact that Spain was able to maintain its borrowing costs at about the same rate than Italy. In other words, the Spain-Italy comparison suggests that who governs and the associated (lack of) credibility of the fiscal adjustments as appraised by market actors has considerable analytical leverage in explaining the different fiscal policy outputs.

The Portugal-France comparison

Economic fundamentals at the onset of 2010 were similar. Both countries experienced a year-on-year change in GDP of 4.8%. Between 2007 and 2009, public debt rose from 75.5% of GDP to 93.5% in Portugal and from 72.9% to 91.2% in France (Table 8).

The analysis of the Portuguese case draws on the in-depth study by Pereira and Wemans (2015). The government provided aid to the ailing financial sector and pursued expansionary policy in 2008-2009. In the run-up to the September 2009 election, the Socialist (single-party majority) government agreed to a wage increase for civil servants of 2.9%, and it reduced VAT by 1 percentage point. The Socialists won the election but would henceforth govern as a single party minority government (though forming a majority with other left-leaning parties).

Due to the election, the new budget was only promulgated in April 2010. Amidst pressures from different lobbies to increase spending, the government introduced austerity measures: by mid-year, the pay freeze in the public sector was continued, the wages of public managers were curbed, and VAT was brought back to its pre-election level. *The reason was that the Greek fallout had an overwhelming effect on the Portuguese economy, with the risk premium on government ten-year bond rapidly increasing, amongst nervousness in financial markets that the government was not taking appropriate measures to put its house in order.* The 2011 budget, presented in October 2010, was the first budget with a clear objective of fiscal tightening. It included wage cuts in the public sector, a reduction in social expenditure, a

tightening of tax benefits and a 2 percentage point VAT increase. These and other measures announced in March 2011 were unsuccessful to appease financial markets, resulting in the government seeking assistance from the Troika (IMF-EU-ECB) in May 2011.

Both countries implemented austerity packages of about .80% of GDP in 2010. However, the tax/spending mix varied: Portugal cut spending by .77% of GDP whereas France, under the right-leaning Sarkozy (surplus coalition) government, increased spending by .12% (Table 7). While the interest rate on 10-year government bond increased from 4.42% to 5.40% in Portugal between 2007 and 2010, it decreased from 4.30% to 3.12% in France (Table 8). The Portugal-France comparison thus suggests that a stronger commitment by left governments to reigning in spending than non-left governments at an otherwise equal level of commitment to budget consolidation is no guarantee for containing rising borrowing costs. It suggests that left governments carry a stigma in the eyes of bond market actors that has not equivalent for right governments.

The Spain-Portugal comparison illustrates the trade-off left governments face. The Portuguese case resembles the Spanish one, though relative to Spain, commitment to fiscal consolidation in Portugal was less decisive and delayed. Portugal entered 2010 with fundamentals that were only slightly worse than those of Spain (Table 8). The comparison indicates that against the backdrop of high and/or rapidly rising debt, bond market investors compel left governments to choose between either limited budget consolidation/spending cuts and rising yields on government debt (Portugal) or extensive fiscal adjustment and affordable borrowing costs (Spain).

One caveat must be made: I do not provide direct evidence showing that fiscal policies in left-leaning Spain and Portugal were influenced by rising yields or that they adopted austere measures to signal their credibility to appease financial markets, although at times the evidence presented goes in that direction. At other times, the evidence rather suggests that bond investors

reacted more harshly to these countries' policies after they were announced or implemented. Adjudicating between the two in individual cases, which would require interviewing decision-makers, goes beyond the scope of this paper. In any case, the patterns observed in the two pairwise comparisons are consistent with hypothesis one.

4.2. Beyond the South European periphery

Financial markets hung like a sword of Damocles not just over left governments in Southern Europe. High indebtedness among left governments were widespread, including in the UK and the US (72% and 89% of GDP in 2009, respectively). The UK is a special case due to the election held in May 2010. On the surface, it would appear that the Labour government under PM Brown refrained from taking austerity measures, whereas the Conservative–Liberal-Democrat Cameron-Clegg coalition acted swiftly to consolidate the budget. However, this is inaccurate. First, during the pre-election campaign, there was a cross-party consensus on the need for deficit reduction—partisan differences, if any, concerned the pace (and composition) of fiscal rebalancing (Hay, 2010, 2013). Second, the Labour government took measures to improve the cyclically-adjusted budget balance, including higher taxation on incomes over £150,000 and a restriction on tax allowances on incomes above £100,000 to come into effect in April 2010, and announced a 0.5% increase in the National Insurance Contribution and higher duties on alcohol, tobacco and fuel from April 2010 (Budd, 2010: 43). Third, the emergency budget issued by the centre-right government after the election deferred fiscal balancing to late 2010/early 2011 (Hay, 2010: 396, 2013). The VAT hike from 17.5% to 20%, the single largest tax rise, was postponed until January 2011. In short, it is the Labour government that initiated the turn to austerity, albeit predominantly by means of tax increases (see also Table 7).

To the question if there was an alternative to deficit reduction in the UK in 2010, writing in the midst of events Hay (2010: 399) notes that “there is a clear and obvious danger that any

stepping back from this be taken by the markets as an indication of the likelihood of default on sovereign debt”. Moreover, the power of finance was on display earlier on, in March 2009, when PM Brown, one of the staunchest Keynesian world leaders at the time, withdrew his plan to introduce another stimulus package. The immediate cause was “a failed gilts auction that produced reluctance and fear in the Ministry of the Exchequer regarding the government’s ability to finance additional debt” (Mandelkern, 2016: 239). In all, this suggests that the shadow of financial markets loomed large over the left-leaning British government.

Similarly, the rating agency Standard & Poor’s downgraded the long-term credit rating of the US from AAA to A+ under President Obama in August 2011, a market sanction related to the lack of commitment to deficit reduction by the Obama administration in 2010-2011 (Table 7).

By contrast, the available evidence suggests that financial markets played a negligible role in the two other cases with left majority governments in 2010.²⁰ This comports with my theory. Indeed, Australia and Norway were far from experiencing a debt crisis: public debt stood at 19.4% and 48.9% of GDP in 2009, respectively, among the lowest in the OECD world.

In the midst of the cataclysmic events of 2007-2009, it has taken time for a consolidated crisis discourse to emerge. As Hay (2013) has convincingly argued, the dominant discourse that emerged from the battle of interpretations is a “crisis of debt” discourse (see also Blyth, 2013). While the response to the question if the crisis that began in late 2009 is a “crisis of debt” or a “crisis of growth” may vary, the fact is that it has been widely *perceived* and *accepted* as a sovereign debt crisis. If anything, this particular crisis definition dovetails with my account of the role of financial markets in the crisis of the late 2000s/early 2010s.

Building on the logic of welfare state retrenchment (Armingeon et al., 2016; Green-Pedersen, 2002; Ross, 2000), a prominent alternative explanation is that left governments pro-

²⁰ See Mandelkern (2016) for an account of Australia.

actively reduce social spending—the single largest government outlay—in periods of fiscal consolidation to be able to shape cutbacks according to their interests. The Spanish and Portuguese cases contradict this interpretation as both governments were initially committed to a social-democratic approach to fiscal consolidation aimed at protecting social spending before being forced into reversing their course. Moreover, the fact that left governments were more likely to cut spending than non-left governments in 2010 is not consistent with the finding that left parties shifted to the left with regard to welfare state issues in their programmatic positions after 2008 (Bremer, 2018). Together, this points to a growing discrepancy between what left parties say they will do and what they do once in office, suggesting that austerity is imposed externally rather than a domestic political choice.

5. Conclusion

I do not find any support for the claim that left governments pursued more expansionary and/or redistributive fiscal policies than non-left governments during the international recessions of the early 1980s, early 1990s, and late 2000s/early 2010s. I do not find any evidence either for the proposition that left governments are more inclined to sustain expansionary fiscal policy and/or discretionary spending when the economy begins to recover. I thus do not find partisan effects of the “old asymmetry” type over the cycle. I find that left governments were *less* likely to engage in fiscal stimulus in the 1993 downturn (but no less likely to consolidate in the 1994 upturn) and *more* likely to consolidate budgets in the 2010 recovery (but no more likely to stimulate in the 2008-2009 and 2012 recessions). These results do not square with the partisan model of counter- vs. pro-cyclical fiscal policy behavior along the cycle (the “old symmetry”). Instead, they amount to a *new asymmetrical pattern* of partisan fiscal policy characterized by *more fiscal conservatism by left governments* over the cycle. They question the commonly-held view that partisan effects have declined over time.

Furthermore, the results point to financial globalization as a driver of the austerity measures implemented by left governments in advanced democracies during the last two crises, particularly the GFC. The analysis of quantitative and qualitative data suggests that bond market investors compelled highly indebted left governments to pursue *more* restrictive budgetary and spending policies than their right-leaning counterparts over the full 2008-2013 cycle to contain the economic fallout of capital withdrawal and soaring borrowing costs. While weaker, the evidence tells a similar story in the early 1990s. The analysis indicates that the GFC does not represent a clear break with past crises, rather crisis responses in the last two crises sets them apart from those in the early 1980s.

It is tempting to see the switching partisan effects driven by market forces during defining moments such as international crises as one neglected yet important economic origin of our political discontents, to turn Peter Hall's (2013) motto on its head. Regarding left parties, they find themselves caught between the (radicalized) demands of erstwhile constituents and the fiscal (and monetary) policy realities of a global economy fully in tune with the neoliberalized policy paradigm, a conundrum they have yet to resolve if they wish to remain a significant (pro-EU) progressive movement. The large debts contracted by states to fight against the COVID-19 will almost certainly present them with the next real life test.

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Online Appendix

Globalization and austerity:

Flipping partisan effects on fiscal policy during (recent) international crises

Table A1. Variable definition and data sources, robustness analysis

Variable name	Definition / data source	Expectation / note
Election year (dummy)	1 if a given year is an election year. Data are from Armingeon <i>et al.</i> (2012).	According to political business-cycle theory, incumbent governments face electoral incentives to loosen budgetary discipline as elections approach, such that governments in election years should be more prone to stimulate and less inclined to consolidate.
One-party government (dummy)	1 if single party majority government. Data are from Armingeon <i>et al.</i> (2012, 2020). Same construction as government partisanship, e.g. in 2010, one-party government is measured as the average over 2009-2010 (hence it can take the value of 0.5).	One-party governments should be associated with more fiscal stimulus as such governments can act more decisively and swiftly in response to crisis, whereas fragmented government structures such as minority and coalitions governments should be associated with less budgetary discipline once deficits are created since each coalition partner seeks to protect the budgetary needs of its constituency.
EMU (dummy)	1 if signatory of the 1992 Maastricht Treaty (1990s); 1 if member of the EMU (2000s)	Captures the fiscally conservative bias that may be associated with EMU fiscal rules (in 1990s) or euro area membership (in 2000s).
Short-term interest rates	Control variable for monetary policy, lagged by one year. OECD (Economic Outlook No. 74&90).	Short-term interest rates should be positively correlated with fiscal consolidation during economic upturns, as fiscal policy becomes the tool of choice to balance budgets when interest rates are high.
Current account	Current account balance as % of GDP in the pre-recession/recovery year. Positive numbers indicate a surplus. Data from OECD.Stat.	Arguably, debt is an epiphenomenon, that is, as long as governments run a current account surplus they are solvable, and hence possess fiscal room for maneuver in crisis. This may explain why JP has a huge debt but favorable scores from credit agencies.
Banking crisis (dummy)	1 if banking crisis. Data are from the World Bank's Global Financial Development Database.	The early 1990s and the late 2000s crises featured banking crises in several countries. FI, NO and SE had a banking crisis in 1992, while AU, CA, FI, JP, NZ and NO did not have a banking crisis in 2009.

Bank bailouts	Used amounts of recapitalizations and asset purchases in 2008-2009. Data from Laeven and Valencia (2011: Table 1).	The larger the bailouts in downturns, the more governments are likely to consolidate during upturns. We tried an alternative measure, total bank support, which includes guarantees. The results are very similar.
IMF/EU bailout (dummy)	1 if bailed out by IMF and/or the EU	The dummy, which takes the value of 1 for IS and for IE bailed out in 2008 and 2010, respectively, should be positively associated with fiscal consolidation and spending cuts.

Note: Laeven L and Valencia F (2011) The Real Effects of Financial Sector Interventions During Crises. IMF Working Paper 11/45. Washington: International Monetary Fund.

Table A2. Government partisanship and fiscal stimulus in 1993, robustness analysis

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Left	-0.018*	-0.024**	-0.022**	-0.022**	-0.019*	-0.020**	-0.020*		-0.021**
	(0.010)	(0.011)	(0.009)	(0.009)	(0.010)	(0.009)	(0.010)		(0.009)
Left _{adjUSACAN}								-0.022**	
								(0.009)	
Debt	-0.046***	-0.048***	-0.045***	-0.048***	-0.041**	-0.044***	-0.046***	-0.045***	-0.045***
	(0.013)	(0.014)	(0.013)	(0.013)	(0.016)	(0.013)	(0.014)	(0.012)	(0.013)
GDP growth	-0.165	-0.164	-0.277*	-0.232	-0.151	-0.082	-0.174	-0.177	-0.069
	(0.140)	(0.140)	(0.151)	(0.147)	(0.144)	(0.154)	(0.142)	(0.132)	(0.156)
Automatic stab.	-0.083	-0.109	-0.095	-0.081	-0.107	-0.055	-0.075	-0.081	-0.085
	(0.069)	(0.085)	(0.066)	(0.067)	(0.084)	(0.068)	(0.093)	(0.065)	(0.066)
Trade	0.0073	0.009	0.016	0.013	0.010	0.0003	0.010	0.007	0.011
	(0.014)	(0.013)	(0.013)	(0.013)	(0.013)	(0.0150)	(0.014)	(0.012)	(0.013)
Election year	-0.398								
	(0.689)								
One-party gov.		-0.572							
		(0.894)							
EMU			-0.968						
			(0.694)						
S.t. interest rates				-0.076					
				(0.073)					
Stimulus ₉₀₉₁					0.124				
					(0.196)				
Current account						0.169			
						(0.139)			
Banking crisis							-0.023		
							(1.120)		
Constant	4.479***	5.150**	4.451***	5.024***	4.061***	4.399***	4.131***	4.387***	4.263***
	(1.418)	(2.039)	(1.238)	(1.517)	(1.291)	(1.256)	(1.341)	(1.254)	(1.235)
Observations	20	20	20	20	20	20	20	20	19
R-squared	0.55	0.55	0.60	0.57	0.55	0.59	0.54	0.56	0.57

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A3. Government partisanship and fiscal consolidation in 2010, robustness analysis

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Left	0.022** (0.010)	0.020** (0.009)	0.021** (0.010)	0.019* (0.010)	0.018* (0.010)	0.019* (0.009)	0.019** (0.009)	0.021** (0.010)	0.018*** (0.006)		0.016 (0.013)
Left _{adjUSACAN}										0.022** (0.009)	
Debt	0.031*** (0.008)	0.033*** (0.008)	0.031*** (0.009)	0.030*** (0.008)	0.030*** (0.008)	0.026*** (0.009)	0.027*** (0.008)	0.031*** (0.009)	0.017** (0.006)	0.033*** (0.008)	0.028** (0.010)
GDP growth	-0.288** (0.100)	-0.258** (0.099)	-0.291** (0.102)	-0.275** (0.104)	-0.262** (0.104)	-0.232** (0.107)	-0.283*** (0.095)	-0.287** (0.109)	-0.147* (0.071)	-0.307*** (0.094)	-0.328** (0.133)
Automatic stab.	0.207* (0.116)	0.259** (0.120)	0.184 (0.123)	0.179 (0.117)	0.164 (0.118)	0.166 (0.113)	0.135 (0.114)	0.191 (0.118)	0.148* (0.074)	0.236* (0.116)	0.166 (0.165)
Trade	0.008 (0.005)	0.010* (0.005)	0.008 (0.006)	0.008 (0.005)	0.010* (0.005)	0.009* (0.005)	0.006 (0.005)	0.008 (0.007)	0.001 (0.004)	0.010* (0.005)	0.011 (0.011)
Election year	-0.483 (0.666)										
One-party gov.		1.309 (0.950)									
EMU			0.146 (0.624)								
S.t. interest rates				0.092 (0.144)							
Stimulus ₀₈₀₉					0.137 (0.144)						
Current account						-0.073 (0.056)					
Banking crisis							1.048 (0.649)				
Bank bailout								0.010 (0.084)			
IMF/EU bailout									3.162***		

Constant	-4.650*	-6.232**	-4.373*	-4.376*	-4.580*	-4.018*	-3.788*	-4.509*	(0.645) -3.122**	-5.459**	-3.401
	(2.195)	(2.435)	(2.341)	(2.214)	(2.165)	(2.154)	(2.116)	(2.246)	(1.437)	(2.304)	(3.044)
Observations	23	23	23	23	23	23	23	23	23	23	19
R-squared	0.69	0.71	0.68	0.69	0.70	0.71	0.72	0.68	0.87	0.68	0.66

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A4. Government partisanship and fiscal stimulus in 2012, conditional on debt level (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Left	0.019 (0.019)	0.013 (0.019)	0.016 (0.016)	0.022 (0.021)	0.019 (0.017)	0.011 (0.017)	0.013 (0.022)	0.025 (0.019)	0.006 (0.016)		0.024 (0.023)
Left*debt	-0.0004* (0.0002)	-0.0003 (0.0002)	-0.0003 (0.0002)	-0.0004* (0.0002)	-0.0003 (0.0002)	-0.0002 (0.0002)	-0.0003 (0.0003)	-0.0005** (0.0002)	-0.0001 (0.0002)		-0.0005* (0.0003)
Left _{adjUSACAN}										0.014 (0.019)	
Left _{adjUSACAN} *debt										-0.0003 (0.0002)	
Debt	-0.001 (0.010)	-0.003 (0.009)	0.006 (0.008)	-0.002 (0.010)	-0.001 (0.008)	0.001 (0.008)	-0.002 (0.009)	-0.001 (0.009)	-0.001 (0.007)	-0.003 (0.009)	0.001 (0.012)
GDP growth	0.0815 (0.199)	0.123 (0.186)	-0.211 (0.187)	0.068 (0.194)	0.122 (0.173)	0.023 (0.170)	0.059 (0.192)	0.022 (0.190)	0.089 (0.153)	0.109 (0.197)	0.085 (0.217)
Automatic stab.	0.085 (0.100)	0.078 (0.093)	0.099 (0.079)	0.087 (0.097)	0.113 (0.088)	0.082 (0.085)	0.086 (0.096)	0.113 (0.096)	0.058 (0.079)	0.063 (0.096)	0.151 (0.121)
Trade	0.001 (0.005)	-0.0004 (0.0045)	0.005 (0.004)	0.001 (0.005)	-0.001 (0.004)	-0.002 (0.004)	0.002 (0.005)	-0.003 (0.006)	0.002 (0.004)	0.0002 (0.0045)	0.003 (0.008)
Election year	-0.057 (0.775)										
One-party gov.		-1.103 (0.875)									
EMU			-1.641** (0.590)								
S.t. interest rates				-0.101 (0.347)							
Stimulus ₀₈₀₉					-0.230* (0.119)						
Current account						0.118** (0.055)					
Banking crisis							-0.474 (0.768)				

Bank bailout								0.095 (0.083)			
IMF/EU bailout									-1.966** (0.674)		
Constant	-1.770 (1.874)	-1.122 (1.818)	-2.584 (1.510)	-1.614 (1.929)	-1.329 (1.651)	-1.983 (1.602)	-1.513 (1.863)	-2.271 (1.800)	-1.375 (1.467)	-1.183 (1.823)	-3.138 (2.398)
Observations	23	23	23	23	23	23	23	23	23	23	19
R-squared	0.28	0.35	0.53	0.28	0.43	0.45	0.30	0.34	0.54	0.24	0.36

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A5. Government partisanship and fiscal consolidation in 2010, conditional on debt (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Left	-0.009 (0.017)	-0.010 (0.015)	-0.010 (0.016)	-0.010 (0.016)	-0.011 (0.016)	-0.007 (0.016)	-0.006 (0.016)	-0.010 (0.016)	0.009 (0.013)		-0.026 (0.018)
Left*debt	0.0004** (0.0002)	0.0004** (0.0002)	0.0005** (0.0002)	0.0005** (0.0002)	0.0004** (0.0002)	0.0004* (0.0002)	0.0004* (0.0002)	0.0005** (0.0002)	0.0001 (0.0002)		0.0006** (0.0002)
Left _{adjUSACAN}										-0.005 (0.016)	
Left _{adjUSACAN} *debt										0.0004* (0.0002)	
Debt	0.016 (0.010)	0.017* (0.009)	0.014 (0.010)	0.016 (0.010)	0.015 (0.010)	0.015 (0.010)	0.015 (0.010)	0.016 (0.010)	0.013* (0.007)	0.020* (0.010)	0.005 (0.012)
GDP growth	-0.225** (0.095)	-0.193* (0.091)	-0.222** (0.095)	-0.226** (0.096)	-0.201* (0.096)	-0.199* (0.100)	-0.228** (0.092)	-0.234** (0.099)	-0.141* (0.072)	-0.270*** (0.090)	-0.285** (0.110)
Automatic stab.	0.104 (0.115)	0.162 (0.112)	0.083 (0.117)	0.099 (0.112)	0.077 (0.112)	0.093 (0.110)	0.076 (0.110)	0.100 (0.112)	0.124 (0.081)	0.170 (0.114)	0.047 (0.141)
Trade	0.007 (0.005)	0.008* (0.005)	0.006 (0.005)	0.007 (0.005)	0.008 (0.005)	0.008 (0.005)	0.006 (0.005)	0.008 (0.006)	0.002 (0.004)	0.009* (0.005)	0.006 (0.009)
Election year	-0.119 (0.624)										
One-party gov.		1.262 (0.832)									
EMU			0.232 (0.554)								
S.t. interest rates				-0.015 (0.138)							
Stimulus ₀₈₀₉					0.114 (0.129)						
Current account						-0.039 (0.055)					
Banking crisis							0.649 (0.637)				

Bank bailout								-0.027 (0.076)			
IMF/EU bailout									2.846*** (0.761)		
Constant	-2.090 (2.308)	-3.668 (2.379)	-1.700 (2.368)	-1.986 (2.272)	-2.113 (2.214)	-1.987 (2.230)	-1.916 (2.194)	-2.022 (2.259)	-2.514 (1.636)	-3.498 (2.395)	0.627 (2.877)
Observations	23	23	23	23	23	23	23	23	23	23	19
R-squared	0.76	0.79	0.76	0.76	0.77	0.77	0.78	0.76	0.88	0.74	0.79

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A6. Government partisanship and spending cuts in 1984, conditional on debt level
(robustness analysis)

	(1)	(2)	(3)	(4)	(5)
Left	-0.026*	-0.017	-0.020*	-0.017	
	(0.014)	(0.013)	(0.010)	(0.015)	
Left*debt	0.0004	0.0002	0.0003	0.0003	
	(0.0003)	(0.0003)	(0.0002)	(0.0003)	
Left _{adjUSACAN}					-0.026*
					(0.012)
Left _{adjUSACAN} *debt					0.0004
					(0.0002)
Debt	0.005	0.009	0.020*	0.009	0.005
	(0.012)	(0.010)	(0.009)	(0.011)	(0.011)
GDP growth	-0.159	-0.126	-0.317***	-0.084	-0.156
	(0.102)	(0.089)	(0.084)	(0.126)	(0.092)
Automatic stabilizers	-0.086	-0.078	-0.031	-0.090	-0.078
	(0.066)	(0.055)	(0.050)	(0.081)	(0.059)
Trade	0.020	0.010	0.011	0.020*	0.019*
	(0.011)	(0.010)	(0.007)	(0.011)	(0.009)
Election year	-0.094				
	(0.591)				
One-party gov.		-0.918*			
		(0.499)			
S.t. interest rates			0.035		
			(0.034)		
Stimulus ₈₁				-0.177	
				(0.142)	
Constant	0.677	1.174	-0.721	0.207	0.725
	(0.874)	(0.811)	(0.865)	(1.044)	(0.811)
Observations	19	19	18	18	19
R-squared	0.62	0.71	0.81	0.65	0.64

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A7. Government partisanship and spending cuts in 2010, conditional on debt level (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Left	-0.017 (0.013)	-0.018 (0.012)	-0.018 (0.012)	-0.018 (0.012)	-0.017 (0.012)	-0.017 (0.012)	-0.018 (0.013)	-0.021* (0.011)	-0.002 (0.009)		-0.028* (0.015)
Left*debt	0.0004** (0.0002)	0.0004*** (0.0001)	0.0004*** (0.0002)	0.0004** (0.0002)	0.0005*** (0.0002)	0.0004** (0.0002)	0.0004** (0.0002)	0.0005*** (0.0001)	0.0002 (0.0001)		0.0005** (0.0002)
Left _{adjUSACAN}										-0.016 (0.014)	
Left _{adjUSACAN} *debt										0.0004** (0.0002)	
Debt	-0.001 (0.008)	-0.0001 (0.0074)	-0.0005 (0.0080)	-0.001 (0.008)	-0.0004 (0.0076)	-0.001 (0.008)	-0.001 (0.008)	0.001 (0.007)	-0.003 (0.005)	0.003 (0.008)	-0.007 (0.010)
GDP growth	-0.181** (0.073)	-0.161** (0.072)	-0.181** (0.073)	-0.179** (0.074)	-0.193** (0.075)	-0.172** (0.078)	-0.180** (0.073)	-0.216*** (0.069)	-0.111** (0.050)	-0.233*** (0.075)	-0.225** (0.092)
Automatic stab.	-0.033 (0.088)	-0.002 (0.089)	-0.034 (0.090)	-0.041 (0.086)	-0.028 (0.087)	-0.042 (0.086)	-0.043 (0.087)	-0.033 (0.078)	-0.018 (0.056)	0.003 (0.095)	-0.086 (0.119)
Trade	0.008* (0.004)	0.009** (0.004)	0.008* (0.004)	0.008* (0.004)	0.007* (0.004)	0.008** (0.004)	0.008* (0.004)	0.013*** (0.004)	0.003 (0.003)	0.009** (0.004)	0.007 (0.007)
Election year	-0.151 (0.478)										
One-party gov.		0.756 (0.657)									
EMU			-0.101 (0.427)								
S.t. interest rates				0.012 (0.106)							
Stimulus ₀₈₀₉					-0.065 (0.100)						
Current account						-0.013 (0.042)					
Banking crisis							0.065 (0.506)				

Bank bailout								-0.096*			
								(0.053)			
IMF/EU bailout									2.384***		
									(0.529)		
Constant	1.127	0.239	1.103	1.221	1.297	1.241	1.244	1.175	0.809	0.512	3.047
	(1.768)	(1.880)	(1.825)	(1.744)	(1.718)	(1.735)	(1.740)	(1.579)	(1.139)	(1.995)	(2.421)
Observations	23	23	23	23	23	23	23	23	23	23	19
R-squared	0.75	0.77	0.75	0.75	0.76	0.75	0.75	0.80	0.90	0.68	0.78
Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1											

Table A8: Government partisanship and fiscal consolidation in 1984, conditional on financial unsustainability (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)
Left	-0.007 (0.007)	-0.006 (0.006)	-0.004 (0.007)	-0.001 (0.007)	-0.011 (0.007)	
Left*fin. unsust.	-0.025** (0.009)	-0.023*** (0.007)	-0.022** (0.008)	-0.020* (0.009)	-0.020** (0.007)	
Left _{adjUSACAN}						-0.008 (0.006)
Left _{adjUSACAN} *fin. unsust.						-0.024*** (0.007)
Financial unsustainability	1.071** (0.407)	0.970** (0.324)	1.018** (0.349)	1.059** (0.355)	0.678 (0.385)	1.034*** (0.313)
GDP growth	-0.112 (0.157)	-0.094 (0.141)	-0.147 (0.147)	-0.122 (0.229)	-0.171 (0.136)	-0.105 (0.130)
Automatic stabilizers	0.027 (0.089)	0.012 (0.081)	0.012 (0.087)	-0.036 (0.111)	0.067 (0.086)	0.031 (0.078)
Trade	-0.009 (0.018)	-0.011 (0.015)	-0.005 (0.014)	-0.000 (0.015)	-0.004 (0.013)	-0.008 (0.013)
Election year	-0.328 (0.869)					
One-party gov.		-0.756 (0.637)				
S.t. interest rates			-0.036 (0.080)			
Stimulus ₈₁				-0.258 (0.203)		
Current account					-0.183 (0.130)	
Constant	1.171 (1.092)	1.695 (1.065)	1.452 (1.455)	1.245 (1.228)	0.371 (0.925)	1.109 (0.827)
Observations	18	18	18	17	18	18
R-squared	0.58	0.63	0.59	0.64	0.65	0.62

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A9. Government partisanship and fiscal consolidation in 2010, conditional on financial unsustainability (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Left	0.021** (0.008)	0.020** (0.008)	0.020** (0.008)	0.018** (0.008)	0.017** (0.008)	0.021** (0.008)	0.019** (0.008)	0.020** (0.007)	0.018** (0.006)		0.015 (0.010)
Left*fin. unsust.	0.012* (0.006)	0.013* (0.007)	0.011 (0.007)	0.011 (0.006)	0.012* (0.006)	0.013* (0.007)	0.010 (0.006)	0.011* (0.006)	0.006 (0.006)		0.011 (0.007)
Left _{adjUSACAN}										0.021** (0.007)	
Left _{adjUSACAN} *fin. unsust.										0.012* (0.006)	
Financial unsustainability	0.407 (0.339)	0.395 (0.345)	0.508 (0.383)	0.454 (0.337)	0.362 (0.336)	0.464 (0.358)	0.415 (0.327)	0.445 (0.320)	0.272 (0.278)	0.460 (0.328)	0.399 (0.412)
GDP growth	-0.070 (0.088)	-0.075 (0.090)	-0.059 (0.090)	-0.056 (0.087)	-0.054 (0.087)	-0.075 (0.089)	-0.083 (0.085)	-0.035 (0.085)	-0.051 (0.071)	-0.073 (0.082)	-0.125 (0.115)
Automatic stab.	0.108 (0.096)	0.082 (0.104)	0.117 (0.101)	0.089 (0.093)	0.074 (0.095)	0.103 (0.095)	0.068 (0.093)	0.095 (0.089)	0.098 (0.076)	0.134 (0.093)	0.123 (0.134)
Trade	0.006 (0.004)	0.006 (0.004)	0.007 (0.005)	0.006 (0.004)	0.007 (0.004)	0.005 (0.004)	0.004 (0.004)	0.002 (0.005)	0.0009 (0.0038)	0.007 (0.004)	0.006 (0.009)
Election year	-0.343 (0.555)										
One-party gov.		-0.282 (0.857)									
EMU			-0.326 (0.575)								
S.t. interest rates				0.113 (0.117)							
Stimulus ₀₈₀₉					0.120 (0.118)						
Current account						0.031 (0.061)					
Banking crisis							0.714 (0.569)				

Bank bailout								0.094 (0.061)			
IMF/EU bailout									2.486** (0.847)		
Constant	-1.654 (1.590)	-1.214 (1.852)	-1.853 (1.681)	-1.571 (1.550)	-1.699 (1.553)	-1.598 (1.589)	-1.338 (1.526)	-1.738 (1.489)	-1.443 (1.273)	-2.310 (1.641)	-1.401 (2.118)
Observations	23	23	23	23	23	23	23	23	23	23	19
R-squared	0.80	0.80	0.80	0.81	0.81	0.80	0.81	0.82	0.87	0.80	0.81

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A10. Government partisanship and spending increases in 2008-2009, conditional on financial unsustainability (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Left	0.003 (0.008)	0.003 (0.007)	0.004 (0.008)	0.004 (0.010)	0.003 (0.008)	0.004 (0.007)	0.004 (0.008)	0.008 (0.008)		0.004 (0.008)
Left*fin. unsust.	-0.028** (0.011)	-0.025** (0.011)	-0.027** (0.013)	-0.029* (0.015)	-0.028** (0.011)	-0.028** (0.010)	-0.028** (0.012)	-0.017 (0.015)		-0.024** (0.011)
Left _{adjUSACAN}									0.005 (0.008)	
Left _{adjUSACAN} *fin. unsust.									-0.030** (0.011)	
Financial unsustainability	0.688 (0.467)	0.659 (0.438)	0.688 (0.549)	0.780 (0.492)	0.698 (0.481)	0.840* (0.434)	0.767 (0.464)	0.619 (0.466)	0.838* (0.446)	0.409 (0.474)
GDP growth	0.047 (0.178)	0.097 (0.162)	0.086 (0.174)	0.087 (0.182)	0.114 (0.183)	0.099 (0.162)	0.087 (0.179)	0.047 (0.171)	0.074 (0.165)	0.219 (0.179)
Automatic stab.	-0.054 (0.121)	-0.054 (0.106)	-0.108 (0.118)	-0.096 (0.109)	-0.090 (0.109)	-0.061 (0.105)	-0.098 (0.112)	-0.122 (0.108)	-0.078 (0.105)	-0.196 (0.131)
Trade	0.010* (0.005)	0.012** (0.005)	0.010* (0.005)	0.011** (0.005)	0.012** (0.005)	0.013** (0.005)	0.011* (0.006)	0.011** (0.005)	0.011** (0.005)	0.014 (0.009)
Election year	0.462 (0.616)									
One-party gov.		1.001 (0.665)								
EMU			0.171 (0.626)							
S.t. interest rates				0.010 (0.164)						
Current account					-0.022 (0.045)					
Banking crisis						-0.854 (0.567)				
Bank bailout							-0.005			

IMF/EU bailout							(0.073)	-2.192		
								(1.998)		
Constant	1.859	1.832	2.849	2.683	2.653	2.695	2.742	2.883*	2.326	4.487**
	(2.013)	(1.680)	(1.755)	(1.762)	(1.680)	(1.574)	(1.736)	(1.632)	(1.648)	(1.869)
Observations	23	23	23	23	23	23	23	23	23	19
R-squared	0.52	0.57	0.51	0.51	0.51	0.57	0.51	0.54	0.53	0.52

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A11. Government partisanship and spending cuts in 1984, conditional on financial unsustainability (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)
Left	-0.011*	-0.009**	-0.008	-0.004	-0.008	
	(0.005)	(0.004)	(0.006)	(0.005)	(0.006)	
Left*fin. unsust.	-0.003	-0.0002	0.001	0.005	-0.0003	
	(0.007)	(0.0051)	(0.006)	(0.007)	(0.0063)	
Left _{adjUSACAN}						-0.011**
						(0.004)
Left _{adjUSACAN} *fin. unsust.						-0.001
						(0.005)
Financial unsustainability	0.464	0.309	0.347	0.443	0.356	0.367
	(0.308)	(0.230)	(0.272)	(0.257)	(0.326)	(0.240)
GDP growth	-0.204	-0.195*	-0.248*	-0.306*	-0.238*	-0.213*
	(0.119)	(0.100)	(0.115)	(0.165)	(0.115)	(0.100)
Automatic stabilizers	0.039	0.018	0.022	-0.052	0.022	0.037
	(0.067)	(0.058)	(0.068)	(0.080)	(0.073)	(0.060)
Trade	0.001	0.0003	0.008	0.014	0.008	0.005
	(0.014)	(0.0104)	(0.011)	(0.011)	(0.011)	(0.010)
Election year	-0.527					
	(0.657)					
One-party gov.		-0.861*				
		(0.452)				
S.t. interest rates			-0.020			
			(0.062)			
Stimulus ₈₁				-0.258		
				(0.147)		
Current account					0.015	
					(0.110)	
Constant	0.534	1.022	0.442	0.805	0.209	0.294
	(0.826)	(0.754)	(1.133)	(0.887)	(0.784)	(0.634)
Observations	18	18	18	17	18	18
R-squared	0.66	0.73	0.64	0.70	0.63	0.68

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A12. Government partisanship and spending cuts in 2010, conditional on financial unsustainability (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Left	0.013** (0.005)	0.013** (0.005)	0.014** (0.005)	0.011* (0.005)	0.014** (0.005)	0.014** (0.005)	0.013** (0.005)	0.013** (0.005)	0.011*** (0.004)		0.012 (0.007)
Left*fin. unsust.	0.013*** (0.004)	0.014*** (0.004)	0.012*** (0.004)	0.013*** (0.004)	0.014*** (0.004)	0.015*** (0.004)	0.013*** (0.004)	0.014*** (0.004)	0.009** (0.003)		0.013** (0.005)
Left _{adjUSACAN}										0.010* (0.005)	
Left _{adjUSACAN} *fin. unsust.										0.014*** (0.004)	
Financial unsustainability	-0.033 (0.221)	-0.045 (0.227)	0.149 (0.235)	0.001 (0.222)	-0.004 (0.224)	0.060 (0.226)	-0.032 (0.227)	-0.040 (0.226)	-0.138 (0.161)	-0.026 (0.233)	0.005 (0.305)
GDP growth	-0.116* (0.057)	-0.121* (0.059)	-0.096 (0.055)	-0.105* (0.057)	-0.124** (0.058)	-0.125** (0.056)	-0.115* (0.059)	-0.123* (0.060)	-0.101** (0.041)	-0.132** (0.058)	-0.123 (0.085)
Automatic stab.	0.007 (0.062)	-0.018 (0.068)	0.033 (0.062)	-0.009 (0.061)	0.009 (0.063)	0.007 (0.060)	-0.005 (0.065)	-0.004 (0.063)	-0.003 (0.044)	0.009 (0.066)	0.001 (0.099)
Trade	0.008*** (0.003)	0.008** (0.003)	0.010*** (0.003)	0.008*** (0.003)	0.008** (0.003)	0.008** (0.003)	0.008** (0.003)	0.009** (0.003)	0.005* (0.002)	0.009*** (0.003)	0.009 (0.006)
Election year	-0.339 (0.361)										
One-party gov.		-0.292 (0.564)									
EMU			-0.590 (0.353)								
S.t. interest rates				0.081 (0.077)							
Stimulus ₀₈₀₉					-0.071 (0.079)						
Current account						0.050 (0.038)					
Banking crisis							0.022				

Bank bailout						(0.396)		-0.021 (0.043)			
IMF/EU bailout									1.953*** (0.490)		
Constant	-0.056 (1.035)	0.394 (1.219)	-0.520 (1.032)	0.039 (1.020)	0.172 (1.035)	-0.047 (1.004)	0.077 (1.061)	0.117 (1.052)	0.136 (0.736)	-0.054 (1.164)	-0.008 (1.566)
Observations	23	23	23	23	23	23	23	23	23	23	19
R-squared	0.85	0.84	0.87	0.85	0.85	0.86	0.84	0.84	0.92	0.83	0.84

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A13. Government partisanship and fiscal policy in 1989-1991

	DV: stimulus			DV: spending increase		
	(1)	(2)	(3)	(4)	(5)	(6)
Left	-0.004 (0.014)	0.061 (0.042)	0.008 (0.011)	0.005 (0.018)	-0.021 (0.062)	0.017 (0.018)
Left*debt		-0.001 (0.001)			0.0005 (0.0011)	
Debt	-0.049** (0.021)	-0.006 (0.033)		-0.051* (0.028)	-0.069 (0.048)	
Left*financial unsust.			-0.032** (0.013)			-0.031 (0.021)
Financial unsustainability			0.346 (0.572)			1.017 (0.922)
GDP growth	-0.303 (0.463)	-0.561 (0.466)	-0.302 (0.404)	-0.626 (0.628)	-0.521 (0.687)	-0.353 (0.651)
Automatic stabilizers	0.151 (0.123)	0.211 (0.122)	0.080 (0.132)	0.022 (0.167)	-0.003 (0.181)	0.045 (0.213)
Trade	0.017 (0.023)	0.016 (0.022)	0.006 (0.022)	0.014 (0.031)	0.015 (0.032)	-0.020 (0.035)
Constant	1.463 (1.706)	-2.246 (2.785)	-0.438 (1.416)	3.009 (2.312)	4.522 (4.110)	1.049 (2.284)
Observations	20	20	19	20	20	19
R-squared	0.37	0.47	0.53	0.27	0.29	0.27

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A14. Government partisanship and fiscal policy in 1991

	DV: stimulus			DV: spending increase		
	(1)	(2)	(3)	(4)	(5)	(6)
Left	-0.005 (0.010)	0.006 (0.029)	-0.002 (0.012)	-0.006 (0.010)	-0.027 (0.028)	-0.001 (0.012)
Left*debt		-0.0002 (0.0005)			0.0004 (0.0005)	
Debt	-0.025* (0.013)	-0.015 (0.025)		-0.025* (0.013)	-0.042 (0.025)	
Left*financial unsust.			-0.012 (0.010)			-0.012 (0.010)
Financial unsustainability			0.046 (0.416)			0.326 (0.441)
GDP growth	-0.006 (0.149)	-0.004 (0.153)	-0.073 (0.178)	-0.044 (0.146)	-0.048 (0.148)	-0.162 (0.189)
Automatic stabilizers	0.123 (0.103)	0.138 (0.112)	0.097 (0.129)	-0.020 (0.101)	-0.047 (0.109)	0.009 (0.137)
Trade	-0.002 (0.014)	-0.002 (0.015)	-0.005 (0.016)	0.019 (0.014)	0.019 (0.014)	0.007 (0.017)
Constant	0.731 (1.213)	-0.032 (2.172)	-0.552 (1.248)	1.643 (1.193)	2.999 (2.100)	-0.064 (1.323)
Observations	20	20	19	20	20	19
R-squared	0.34	0.35	0.30	0.26	0.29	0.15

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A15. Government partisanship and fiscal policy in 2011-2012

	DV: stimulus			DV: spending increase		
	(1)	(2)	(3)	(4)	(5)	(6)
Left	-0.034** (0.014)	0.033 (0.024)	-0.016 (0.010)	-0.018 (0.014)	0.031 (0.026)	-0.011 (0.013)
Left*debt		-0.0009*** (0.0003)			-0.0007** (0.0003)	
Debt	-0.020 (0.013)	0.004 (0.013)		0.0002 (0.0128)	0.018 (0.014)	
Left*financial unsust.			-0.008 (0.005)			-0.007 (0.007)
Financial unsustainability			-0.621 (0.357)			-0.148 (0.489)
GDP growth	0.188 (0.232)	0.219 (0.188)	-0.086 (0.162)	0.352 (0.226)	0.375* (0.206)	0.163 (0.222)
Automatic stabilizers	-0.003 (0.151)	0.071 (0.124)	0.019 (0.097)	0.031 (0.147)	0.086 (0.136)	0.035 (0.133)
Trade	0.003 (0.008)	0.005 (0.006)	-0.0003 (0.0050)	0.002 (0.008)	0.003 (0.007)	-0.001 (0.007)
Constant	0.614 (2.817)	-2.637 (2.501)	-1.719 (1.531)	-0.994 (2.739)	-3.393 (2.734)	-1.041 (2.097)
Observations	23	23	23	23	23	23
R-squared	0.34	0.59	0.74	0.18	0.36	0.36

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A16. Government partisanship and fiscal stimulus in 1989-1991, conditional on financial unsustainability (robustness analysis)

	(1)	(2)	(3)	(4)	(5)
Left	-0.002 (0.010)	0.006 (0.01)	0.007 (0.01)	-0.001 (0.013)	0.006 (0.011)
Left*financial unsust.	-0.037*** (0.011)	-0.032** (0.013)	-0.033** (0.013)	-0.029** (0.013)	-0.022 (0.014)
Financial unsustainability	0.543 (0.482)	0.425 (0.584)	0.500 (0.654)	-0.013 (0.623)	0.065 (0.579)
GDP growth	-0.666* (0.365)	0.022 (0.550)	-0.283 (0.418)	-0.292 (0.393)	-0.191 (0.393)
Automatic stabilizers	0.199 (0.119)	0.191 (0.184)	0.099 (0.141)	0.111 (0.131)	0.078 (0.126)
Trade	-0.016 (0.020)	0.004 (0.02)	0.005 (0.022)	0.013 (0.022)	0.015 (0.021)
Election year	2.241** (0.888)				
One-party gov.		1.403 (1.599)			
EMU			-0.513 (0.943)		
S.t interest rates				0.171 (0.133)	
Current account					-0.297 (0.203)
Constant	-2.263 (1.382)	-2.234 (2.496)	-0.360 (1.467)	-2.515 (2.127)	-1.065 (1.419)
Observations	19	19	19	19	19
R-squared	0.70	0.56	0.55	0.59	0.61

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A17: Government partisanship and fiscal stimulus in 2011-2012 (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Left	-0.037** (0.014)	-0.032** (0.014)	-0.030** (0.013)	-0.032* (0.018)	-0.025* (0.014)	-0.020* (0.010)	-0.034** (0.014)	-0.034** (0.015)	-0.006 (0.013)		-0.044** (0.017)
Left _{adjUSACAN}										-0.032** (0.014)	
Debt	-0.021 (0.013)	-0.020 (0.013)	-0.011 (0.013)	-0.020 (0.014)	-0.015 (0.013)	-0.004 (0.009)	-0.015 (0.013)	-0.022 (0.015)	-0.007 (0.010)	-0.019 (0.013)	-0.022 (0.015)
GDP growth	0.120 (0.234)	0.144 (0.222)	0.106 (0.214)	0.220 (0.342)	0.280 (0.220)	0.205 (0.153)	0.177 (0.222)	0.141 (0.295)	0.060 (0.173)	0.170 (0.232)	0.322 (0.259)
Automatic stabilizers	-0.025 (0.149)	-0.037 (0.145)	0.094 (0.144)	-0.006 (0.157)	0.043 (0.142)	0.092 (0.102)	0.040 (0.146)	0.010 (0.163)	0.052 (0.111)	-0.023 (0.153)	0.098 (0.203)
Trade	0.001 (0.008)	-0.001 (0.008)	0.009 (0.008)	0.003 (0.008)	-0.0004 (0.0074)	-0.004 (0.005)	0.007 (0.008)	0.001 (0.012)	0.005 (0.006)	0.001 (0.008)	-0.003 (0.014)
Election year	-1.148 (0.902)										
One-party gov.		-2.687 (1.574)									
EMU			-1.959** (0.909)								
S.t interest rates				-0.072 (0.546)							
Stimulus ₀₈₀₉					-0.392* (0.201)						
Current account						0.253*** (0.053)					
Banking crisis							-1.645 (0.995)				
Bank bailout								0.043 (0.156)			
IMF/EU bailout									-3.611*** (0.910)		

Constant	1.915 (2.950)	1.784 (2.758)	-1.265 (2.701)	0.736 (3.048)	1.032 (2.619)	-2.129 (1.945)	0.405 (2.687)	0.550 (2.907)	-1.613 (2.136)	1.059 (2.909)	0.258 (3.704)
Observations	23	23	23	23	23	23	23	23	23	23	19
R-squared	0.40	0.44	0.49	0.34	0.46	0.73	0.43	0.34	0.67	0.33	0.43

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Table A18. Government partisanship and fiscal stimulus in 2011-2012, conditional on debt level (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Left	0.027 (0.026)	0.030 (0.023)	0.028 (0.023)	0.039 (0.027)	0.038* (0.022)	0.024 (0.016)	0.027 (0.027)	0.043* (0.024)	0.024 (0.021)		0.031 (0.028)
Left*debt	-0.001** (0.0003)	-0.001*** (0.0003)	-0.001** (0.0003)	-0.001*** (0.0003)	-0.001*** (0.0003)	-0.001*** (0.0002)	-0.001** (0.0003)	-0.001*** (0.0003)	-0.001* (0.0003)		-0.001** (0.0003)
Left _{adjUSACAN}										0.026 (0.026)	
Left _{adjUSACAN} *debt										-0.001** (0.0003)	
Debt	0.002 (0.014)	0.002 (0.013)	0.007 (0.012)	0.004 (0.013)	0.007 (0.012)	0.010 (0.009)	0.003 (0.013)	-0.0004 (0.013)	0.003 (0.011)	0.001 (0.014)	0.005 (0.015)
GDP growth	0.185 (0.198)	0.183 (0.181)	0.154 (0.178)	0.321 (0.277)	0.302* (0.171)	0.224* (0.122)	0.213 (0.193)	0.015 (0.226)	0.111 (0.165)	0.173 (0.204)	0.277 (0.204)
Automatic stab.	0.055 (0.128)	0.039 (0.121)	0.134 (0.120)	0.064 (0.128)	0.111 (0.112)	0.127 (0.082)	0.078 (0.128)	0.143 (0.129)	0.079 (0.106)	0.031 (0.137)	0.174 (0.161)
Trade	0.003 (0.007)	0.001 (0.006)	0.009 (0.006)	0.004 (0.006)	0.001 (0.006)	-0.002 (0.004)	0.006 (0.007)	-0.006 (0.009)	0.005 (0.005)	0.002 (0.007)	0.006 (0.011)
Election year	-0.554 (0.784)										
One-party gov.		-2.064 (1.300)									
EMU			-1.465* (0.770)								
S.t. interest rates				-0.227 (0.441)							
Stimulus ₀₈₀₉					-0.359** (0.156)						
Current account						0.211*** (0.0441)					
Banking crisis							-0.531 (0.973)				
Bank bailout								0.189			

IMF/EU bailout								(0.125)	-		
									2.682**		
									(1.004)		
Constant	-1.802	-1.487	-3.632	-2.312	-2.125	-3.914**	-2.408	-3.437	-2.852	-1.504	-4.212
	(2.802)	(2.497)	(2.376)	(2.637)	(2.231)	(1.646)	(2.592)	(2.463)	(2.127)	(2.760)	(3.254)
Observations	23	23	23	23	23	23	23	23	23	23	19
R-squared	0.60	0.65	0.67	0.60	0.70	0.84	0.60	0.65	0.72	0.51	0.68
Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1											

Table A19. Government partisanship and spending increases in 2011-2012, conditional on debt level (robustness analysis)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Left	0.027 (0.029)	0.028 (0.026)	0.027 (0.026)	0.031 (0.030)	0.037 (0.023)	0.023 (0.021)	0.021 (0.029)	0.037 (0.028)	0.020 (0.021)		0.034 (0.032)
Left*debt	-0.001* (0.0003)	-0.001* (0.0003)	-0.001* (0.0003)	-0.001* (0.0003)	-0.001** (0.0003)	-0.0004 (0.0003)	-0.0005 (0.0003)	-0.0007** (0.0003)	-0.0002 (0.0003)		-0.0007* (0.0003)
Left _{adjUSACAN}										0.027 (0.026)	
Left _{adjUSACAN} *debt										-0.0006* (0.0003)	
Debt	0.016 (0.015)	0.016 (0.014)	0.020 (0.014)	0.018 (0.015)	0.022 (0.013)	0.023* (0.012)	0.017 (0.015)	0.015 (0.015)	0.017 (0.011)	0.016 (0.014)	0.023 (0.017)
GDP growth	0.352 (0.218)	0.343 (0.204)	0.331 (0.209)	0.373 (0.305)	0.470** (0.183)	0.379** (0.166)	0.364 (0.208)	0.253 (0.260)	0.241 (0.168)	0.356 (0.205)	0.427* (0.233)
Automatic stab.	0.076 (0.142)	0.058 (0.135)	0.129 (0.141)	0.086 (0.141)	0.132 (0.120)	0.136 (0.111)	0.098 (0.138)	0.129 (0.148)	0.097 (0.108)	0.058 (0.137)	0.231 (0.184)
Trade	0.003 (0.007)	0.0005 (0.007)	0.006 (0.007)	0.003 (0.007)	-0.0003 (0.006)	-0.002 (0.006)	0.005 (0.007)	-0.003 (0.010)	0.004 (0.005)	0.0016 (0.007)	0.002 (0.013)
Election year	-0.358 (0.867)										
One-party gov.		-1.846 (1.460)									
EMU			-0.989 (0.903)								
S.t. interest rates				0.005 (0.487)							
Stimulus ₀₈₀₉					-0.414** (0.167)						
Current account						0.186*** (0.0597)					
Banking crisis							-0.863 (1.051)				
Bank bailout								0.113			

IMF/EU bailout								(0.144)	-3.310***		
									(1.024)		
Constant	-2.853	-2.364	-4.065	-3.400	-2.802	-4.519*	-3.021	-3.871	-3.658	-2.610	-5.976
	(3.097)	(2.805)	(2.785)	(2.908)	(2.390)	(2.229)	(2.799)	(2.833)	(2.169)	(2.772)	(3.715)
Observations	23	23	23	23	23	23	23	23	23	23	19
R-squared	0.37	0.42	0.41	0.36	0.55	0.61	0.39	0.38	0.62	0.35	0.46

Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1